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Standing Committee on Finance,
trade and economic affairs.

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HOUSE OF COMMONS
Third Session—Twenty-sixth Parliament
1965 - 66/67

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: LAWRENCE T. PENNELL, ESQ.

PROCEEDINGS

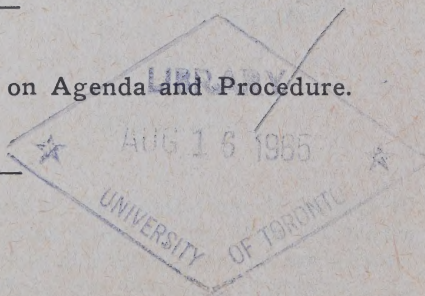
No. 1

No. 1-21

TUESDAY, JUNE 22, 1965

TUESDAY, JUNE 29, 1965

First Report of the Sub-Committee on Agenda and Procedure.



ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Lawrence T. Pennell

Vice-Chairman: Mr. M. J. Moreau

and Messrs.

Bell,
Cameron (*Nanaimo-
Cowichan-The
Islands*),
Chrétien,
Flemming (*Victoria-
Carleton*),
Forest,
Francis,

Gelber,
Grafftey,
Grégoire,
Irvine,
Kindt,
Lambert,
Lloyd,
Macdonald,
McLean (*Charlotte*),

Monteith,
Pépin,
Pilon,
Scott,
Thomas,
Thompson,
Whelan—24.



ORDERS OF REFERENCE

FRIDAY, May 14, 1965.

Ordered,—That Bill C-101, An Act to amend the Bank of Canada Act, be referred to the Standing Committee on Banking and Commerce or to the proposed Standing Committee on Finance, Trade and Economic Affairs, as the case may be.

TUESDAY, June 1, 1965.

Ordered,—That Bill S-6, An Act respecting Muttart Mortgage Corporation, be referred to the Standing Committee on Banking and Commerce or to the proposed Standing Committee on Finance, Trade and Economic Affairs, as the case may be.

MONDAY, June 14, 1965.

Ordered,—That the following Bills be referred to the Standing Committee on Finance, Trade and Economic Affairs:

Bill C-102, An Act respecting Banks and Banking.

Bill C-103, An Act respecting Savings Banks in the Province of Quebec.

TUESDAY, June 15, 1965.

Ordered,—That Bill S-9, An Act to incorporate Principal Life Insurance Company of Canada, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

THURSDAY, June 17, 1965.

Resolved,—That the following Members do compose the Standing Committee on Finance, Trade and Economic Affairs:

Messrs.

Basford,	Francis,	McLean (Charlotte),
Bell,	Gelber,	Monteith,
Cameron (Nanaimo- Cowichan-The Islands),	Grafftey,	Moreau,
Chrétien	Grégoire,	Pennel,
Douglas,	Irvine,	Pilon,
Flemming (Victoria- Carleton),	Kindt,	Thomas,
	Lambert,	Thompson,
	Lloyd,	Whelan—24.
Forest,	Macdonald,	

Ordered,—That, saving always the powers of the Committee of Supply in relation to the voting of public monies, the items listed in the Main Estimates for 1965-66, relating to the Department of Trade and Commerce be withdrawn from the Committee of Supply and referred to the Standing Committee on Finance, Trade and Economic Affairs.

MONDAY, June 21, 1965

Ordered,—That the name of Mr. Pepin be substituted for that of Mr. Basford on the Standing Committee on Finance, Trade and Economic Affairs.

TUESDAY, June 22, 1965

Ordered, That the Standing Committee on Finance, Trade and Economic Affairs be authorized to sit while the House is sitting.

Ordered, That Bill C-95, An Act to incorporate Laurentide Bank of Canada, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

Ordered, That Bill C-99, An Act to incorporate Bank of Western Canada, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

WEDNESDAY, June 23, 1965

Ordered, That the name of Mr. Scott be substituted for that of Mr. Douglas on the Standing Committee on Finance, Trade and Economic Affairs.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORTS TO THE HOUSE

JUNE 22, 1965

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

FIRST REPORT

Your Committee recommends that it be authorized to sit while the House is sitting.

Respectfully submitted,

LAWRENCE T. PENNELL,
Chairman.

June 22, 1965.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

SECOND REPORT

Your Committee has considered Bill S-9, An Act to incorporate Principal Life Insurance Company of Canada, and has agreed to report it without amendment.

Respectfully submitted,

LAWRENCE T. PENNELL,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, June 22, 1965.

(1)

The Standing Committee on Finance, Trade and Economic Affairs met at 10:00 a.m. this day for purposes of organization.

Members present: Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Flemming (*Victoria-Carleton*), Forest, Francis, Gelber, Irvine, Lambert, Lloyd, Macdonald, McLean (*Charlotte*), Monteith, Moreau, Pennell, Pepin, Pilon, Thomas and Whelan—18.

In attendance: (Respecting Bill S-9): Mr. R. W. McKimm, Parliamentary Agent; Mr. R. Humphrys, Superintendent of Insurance; Messrs. D. R. Stewart, L. A. Patrick and R. P. Forster, representing Principal Life Insurance Company of Canada.

The Committee Clerk attending, and having called for nominations, Mr. Lloyd moved, seconded by Mr. Macdonald, that Mr. Pennell do take the Chair of this Committee as Chairman. -

On motion of Mr. Lambert, seconded by Mr. Thomas,

Resolved,—That nominations be closed.

Mr. Pennell, having been declared elected as Chairman, thereupon took the Chair, and thanked the Committee for the honour conferred upon him.

Mr. Thomas, seconded by Mr. Lambert, moved that Mr. Monteith be elected Vice-Chairman of this Committee.

Mr. Chrétien, seconded by Mr. Gelber, moved that Mr. Moreau be elected Vice-Chairman of this Committee.

After discussion, Mr. Monteith asked permission to withdraw his name in favour of Mr. Moreau. By unanimous consent, the mover and seconder nominating Mr. Monteith as Vice-Chairman, withdrew their motion.

There being no further nominations, Mr. Moreau was declared elected as Vice-Chairman of the Committee.

On motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Lambert,

Resolved,—That the Committee request permission to sit while the House is sitting.

On motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Monteith,

Resolved,—That a Sub-Committee on Agenda and Procedure be appointed, comprising the Chairman and a number of members to be appointed by him after consultation with the Party representatives.

The Committee then proceeded to consideration of Bill S-9, An Act to incorporate Principal Life Insurance Company of Canada.*

*Verbatim evidence was not recorded in respect to this Bill.

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations and/or a translation into English of the French.

Copies and complete sets are available to the public by subscription to the Queen's Printer. Cost varies according to Committees.

LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

THURSDAY, FEBRUARY 17, 1966

TUESDAY, MARCH 1, 1966

Bill C-111, Respecting An Act to incorporate Bank of Western Canada

WITNESSES:

D. Gordon Blair, Parliamentary Agent; Sinclair M. Stevens, Toronto;
James E. Coyne, Toronto.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

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UNIVERSITY OF TORONTO

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,	Hees,	McLean (<i>Char-</i>
Basford,	Horner (<i>Acadia</i>),	<i>lotte</i>),
Cameron (<i>Nanaimo-</i>	Irvine,	Monteith,
<i>Cowichan-The Islands</i>),	Lambert,	More (<i>Regina</i>
Cashin,	Lamontagne,	<i>City</i>),
Chrétien,	Leboe,	Munro,
Clermont,	Lewis,	Stafford,
Coates,	Macdonald (<i>Rosedale</i>),	Valade—25.
Comtois,		
Grégoire,		

Dorothy F. Ballantine,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,
MONDAY, February 7, 1966.

Resolved,—That the following Members do compose the Standing Committee on Finance, Trade and Economic Affairs:

Messrs.

Andras,	Flemming,	Leboe,
Basford,	Gordon,	Lewis,
Cameron (<i>Nanimo-</i>	Gray,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Grégoire,	Monteith,
Cashin,	Hees,	More (<i>Regina</i>
Chrétien,	Irvine,	<i>City</i>),
Clermont,	Laflamme,	Munro,
Coates,	Lambert,	Stafford,
Comtois,	Lamontagne,	Valade—(25).

Ordered,—That, notwithstanding the provisions of Standing Order 65, the said Committee shall consist of twenty-five members.

THURSDAY, February 10, 1966.

Ordered,—That Bill C-111, An Act to incorporate Bank of Western Canada, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

WEDNESDAY, February 23, 1966.

Ordered,—That the name of Mr. Horner (*Acadia*) be substituted for that of Mr. Flemming, on the Standing Committee on Finance, Trade and Economic Affairs.

THURSDAY, February 24, 1966.

Ordered,—That the name of Mr. Macdonald (*Rosedale*) be substituted for that of Mr. Gordon on the Standing Committee on Finance, Trade and Economic Affairs.

Attest

LÉON-J. RAYMOND
The Clerk of the House.

REPORT TO THE HOUSE

FEBRUARY 22, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

FIRST REPORT

Your Committee recommends that it be authorized to sit while the House is sitting.

Respectfully submitted,

HERB GRAY,
Chairman.

Report concurred in March 1, 1966 to have effect for that day only.

MINUTES OF PROCEEDINGS

THURSDAY, February 17, 1966.
(1)

The Standing Committee on Finance, Trade and Economic Affairs met at 9:30 a.m. this day for purposes of organization.

Members present: Messrs. Andras, Basford, Cashin, Chrétien, Coates, Comtois, Gray, Hees, Irvine, Laflamme, Lambert, Leboe, Lewis, McLean (*Charlotte*), Monteith, Munro, Stafford, Valade (18).

The Committee Clerk attending, and having called for nominations, Mr. Basford moved, seconded by Mr. McLean (*Charlotte*) that Mr. Gray do take the Chair of this Committee as Chairman.

On motion of Mr. Andras, seconded by Mr. Laflamme,
Resolved,—That nominations be closed.

Mr. Gray, having been declared elected as Chairman, thereupon took the Chair, and thanked the Committee for the honour conferred upon him.

Mr. Comtois moved, seconded by Mr. McLean (*Charlotte*) that Mr. Laflamme be elected Vice-Chairman of this Committee.

On motion of Mr. Comtois, seconded by Mr. Cashin,
Resolved,—That nominations be closed.

Mr. Laflamme was therefore declared elected as Vice-Chairman of the Committee.

Mr. Monteith moved, seconded by Mr. Basford, that a Sub-Committee on Agenda and Procedure be appointed, composed of the Chairman and a number of members to be appointed by him after consultation with the Party Whips.

Mr. Lambert moved in amendment, seconded by Mr. Hees, that the words following "the Chairman" be deleted and the following substituted therefor:

"and two representatives from the Liberal Party, two from the Progressive Conservative Party and one representing the other Parties, with provision for alternates as the case may require".

After discussion, on motion of Mr. Lewis, seconded by Mr. Leboe,

Resolved,—That this motion and amendment be tabled until the next meeting.

On motion of Mr. Lambert, seconded by Mr. Basford,

Resolved,—That the Committee request permission to sit while the House is sitting.

The Chairman stated that Bill C-111, An Act to incorporate the Bank of Western Canada, has been referred and may be considered by the Committee on or after February 18th. He suggested that it might be possible for the Committee to commence study of this Bill on Thursday, February 24th.

At 10:00 a.m. the Committee adjourned to the call of the Chair, on motion of Mr. Hees.

TUESDAY, March 1, 1966.

(2)

The Standing Committee on Finance, Trade and Economic Affairs met at 9:35 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Basford, Cashin, Chrétien, Clermont, Coates, Comtois, Gray, Grégoire, Hees, Horner (*Acadia*), Irvine, Laflamme, Lambert, Leboe, Lewis, Macdonald (*Rosedale*), McLean (*Charlotte*), Monteith, More, (*Regina City*), Stafford. (20)

In attendance: Messrs. J.-T. Richard, M.P. (Sponsor of Bill C-111); D. Gordon Blair, Parliamentary Agent; Sinclair M. Stevens, Toronto; James E. Coyne, Toronto; C. F. Elderkin, Inspector General of Banks.

Also in attendance: Messrs. Maxwell Bruce, Q.C., Toronto; John L. Bodie, Edmonton; J. D. Tigert, Toronto; Richard J. Stanbury, Toronto; Joseph A. Chiappeta, Toronto.

On motion of Mr. Lewis, seconded by Mr. Leboe,

Resolved,—That the motion and amendment referring to the composition of the sub-committee on agenda and procedure be tabled until the next meeting.

On motion of Mr. Laflamme, seconded by Mr. Clermont,

Resolved,—That the committee cause to be printed 750 copies in English and 300 copies in French of the Minutes of Proceedings and Evidence relating to Bill C-111.

The committee then proceeded to consideration of Bill C-111, An Act to incorporate Bank of Western Canada.

On the preamble

The Sponsor, Mr. Richard, introduced the Parliamentary Agent, Mr. Blair, who made a brief introductory statement, and introduced Mr. Stevens and Mr. Coyne, two of the proposed provisional directors of the Bank.

Mr. Stevens then introduced the other witnesses and made a statement concerning the reasons for considering that there is room for more banks in Canada, the procedure for forming a new bank in Canada, the steps that have been taken to form the Bank of Western Canada and its method of operation should a charter be granted.

The committee requested that copies of Mr. Stevens' statement be made available for the afternoon sitting.

Mr. Coyne then made a statement dealing with the history of chartered banking in Canada, the opportunities now open for starting new banks as

business operations, precautions taken to ensure that the Bank of Western Canada will remain in Canadian hands, the economic development of the Western provinces and the part that financial institutions can play in that development, and the staffing of the proposed bank.

Mr. Stevens and Mr. Coyne were questioned.

The questioning continuing, the committee adjourned at 12:00 noon until 3:30 p.m. this day, if permission is granted by the House to sit while the House is sitting.

AFTERNOON SITTING
(3)

The committee resumed at 4:20 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Basford, Cashin, Clermont, Coates, Comtois, Gray, Horner (*Acadia*), Laflamme, Lambert, Leboe, Macdonald (*Rosedale*), Monteith, More (*Regina City*), Stafford. (15)

In attendance: The same as at the morning sitting with the exception of Messrs. Chiapetta and Stanbury.

Copies of the statement made by Mr. Stevens at the morning sitting were distributed, as requested.

Questioning of the witnesses was resumed.

In reply to a question by Mr. Comtois regarding the controlling of blocks of shares, Mr. Stevens tabled two charts showing the relationship of the companies known as the British International Group and explained the charts. (See *Evidence*)

On motion of Mr. Basford, seconded by Mr. Leboe,

Resolved,—That the charts tabled by Mr. Stevens be appended to this day's Minutes of Proceedings and Evidence. (*See Appendices A and B.*)

The questioning continuing, the committee adjourned at 6:04 p.m. until Thursday, March 3, 1966, at 9:30 a.m.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 1, 1966.

● (9: 35 a.m.)

The CHAIRMAN: Members of the committee, I see a quorum and, therefore, I will call the meeting to order.

The first item on our agenda, which is held over from our organization meeting, is the motion and the amendment to it dealing with a subcommittee on agenda and procedure. I thought perhaps that there might be some consensus on this question which may have evolved since our last meeting but no such consensus has been communicated to me.

Mr. MONTEITH: Did you send out any feelers?

The CHAIRMAN: Yes, I have been making inquiries. However, I have a suggestion to make to the members at this time.

As you know, we have a bill before us for consideration and a number of witnesses have travelled some distance to give us their testimony on this bill.

Rather than begin our hearing this morning with discussions on this motion and the amendment thereto, which are of importance but, however, not of immediate importance, I would suggest and invite the members of the committee to table this motion and the amendment and we will discuss it at our next meeting at which time we will have more opportunity to discuss it.

Mr. LEWIS: Mr. Chairman, I so move.

Mr. LEBOE: I second the motion.

Motion agreed to.

The CHAIRMAN: The next item of business on our agenda is the printing of the Minutes of Proceedings and Evidence in respect of Bill C-111. I invite someone to make a motion that the committee cause to be printed 750 copies in English and 300 copies in French of the Minutes of Proceedings and Evidence relating to Bill No. C-111.

Mr. LAFLAMME: I so move.

Mr. CLERMONT: I second the motion.

Motion agreed to.

The CHAIRMAN: Gentlemen, we have had referred to us for consideration this morning Bill No. C-111, an act to incorporate the Bank of Western Canada.

I will begin the proceedings by calling the preamble and then I would ask the sponsor of the bill, Mr. Richard, to introduce the parliamentary agent and the witnesses.

Before calling upon Mr. Richard I would like to make the suggestion that after Mr. Richard introduces the sponsor and the witnesses we then hear each of those who wish to make any general opening statement, and then invite general questions from members of the committee.

Mr. Elderkin, inspector-general of banks, will be in attendance, and after the introduction of the witnesses and the general opening statements, as I have mentioned, we can then proceed with a more detailed discussion and questioning on each of the clauses of the bill, as we proceed, following discussion of the preamble.

On the preamble.

Mr. JEAN T. RICHARD (*Sponsor*): Mr. Chairman and gentlemen, I have the pleasure of introducing Mr. Gordon Blair, Q.C., and I will leave it to him to introduce the witnesses present this morning.

Mr. D. GORDON BLAIR (*Parliamentary Agent*): Mr. Chairman and gentlemen, first, may I be permitted to thank Mr. Richard for conferring the honour of a Queen's Counsel upon me. However, the record should be corrected in this regard as such an honour has not been conferred.

We have with us this morning the principal sponsors of the bill, together with other people who will become shareholders of this bank, if it becomes incorporated.

Gentlemen, I do not propose to take up very much of your time this morning with an opening statement.

The bill which you have before you is in the form prescribed in the schedule in the Bank Act, and it sets forth all the particulars which are required by that schedule and the model bill which constitutes the schedule.

The only variation from the model bill is in clause 5, which is designed to ensure that the nonresident shareholders of this bank shall not constitute more than 10 per cent of the total shareholders.

Mr. Chairman, I would suggest that we first hear from Mr. Sinclair M. Stevens, who will make a statement, followed by Mr. James E. Coyne.

The CHAIRMAN: Mr. Stevens, would you proceed.

Mr. SINCLAIR MCKNIGHT STEVENS: Mr. Chairman and members of the committee, may I first thank you for giving us an opportunity to appear before you today concerning our application to incorporate the Bank of Western Canada.

I would like to mention at this time that several members of the proposed provisional directors of the bank, future shareholders of the bank and supporters of our project, are with us today and, with your leave, Mr. Chairman, I would like to introduce them to the committee at this time.

We have Mr. Bodie from Edmonton, Mr. Bodie will be a provisional director. Also with us is Mr. Bruce, from Toronto, and he will be a provisional director; Mr. Coyne from Toronto, will be a director. Mr. Nesbitt was to be with us this morning. He got underway last Thursday, but when the meeting was adjourned he had to go back to Winnipeg and, unfortunately could not be with us today. Mr. Nesbitt will be a director.

The other three gentlemen I would like to introduce are Mr. Chiappetta. Mr. Chiappetta is a shareholder of the proposed bank.

Mr. LEWIS: Where is Mr. Chiappetta from?

Mr. STEVENS: Toronto. Then there is Mr. Stanbury, also of Toronto, a shareholder, and Mr. Tigert, who is my assistant.

Mr. LEWIS: Where is Mr. Tigert from?

Mr. STEVENS: He is from Toronto.

It is proposed that I will make some opening remarks concerning our application and that Mr. Coyne will conclude our remarks today. As mentioned by Mr. Blair, both Mr. Coyne and myself will then be available to answer any questions you may care to put to us.

In considering the question of incorporating a new bank in Canada, you may feel it helpful to consider this matter under four headings: (1) Is there room for more banks in Canada; (2) What is the procedure for forming a new bank in Canada; (3) What steps have been taken to form the Bank of Western Canada; (4) How will the proposed Bank of Western Canada function should a charter be granted.

● (9: 50 a.m.)

Mr. Coyne and myself will touch on these points during our presentations to you today. It is now over two years since our group announced their intention to apply to parliament for the incorporation of the Bank of Western Canada. Advertising with respect to our application commenced in the *Canada Gazette* on December 18, 1963.

Prior to making our application for the proposed bank we reviewed conditions in Canada with respect to banking. Based on this view we felt there was room for such a bank and, in our opinion, since 1963 this view has been confirmed. Let me summarize the activity and expansion of our existing 8 chartered banks over the last two years.

Since we announced our intention to apply for a charter in December, 1963, existing Canadian chartered banks have opened 277 further branches in this country. Ninety-one of these new branches are in the four western provinces and the Northwest Territories.

Total assets of the banks—and, in this connection, I am referring to the existing 8—have risen from approximately \$22.1 billion in 1963 to approximately \$25.9 billion in 1965, which is a gain of over \$3.8 billion.

This increase is like adding a new Toronto-Dominion Bank, Mercantile Bank of Canada and Provincial Bank of Canada to the system in just two years.

Bank of Canada statistical summaries show that net current operating earnings for the 8 banks have risen, in the aggregate, from \$206.5 million in 1963 to \$258.1 million in 1965. This is a 25 per cent increase in two years.

We refer to net current operating earnings rather than net after-tax earnings as the former would appear to give a better indication of the banks' increased profits due to the fact the banks have more than tripled their inner reserve and provision for loss allocations in 1965 compared with 1963. The inner reserve provision made in 1963 was \$24.3 million; in 1964, \$58.7 million was set aside before tax and in 1965, this figure reached \$75.7 million.

It can be seen that the post war expansion of our banks is continuing at a rapid rate. However, the relative position of our banks is not changing. Our three largest banks, which has some 70 per cent of the Canadian business over 40 years ago, still have approximately that percentage.

In my remarks today we have referred to the expansion in bank branches, expansion in their assets and in their profits, not in criticism of our existing banks, which are fine institutions, but to underline our contention that there is room for more banks in Canada. Our banking system is growing and it need not remain so concentrated as it has been.

Support for this view is found in the Porter Royal Commission on banking and finance where, in the Commission's final assessment and summary it is stated on page 563, and I quote:

"There is a danger that competition can be weakened by collusion or excessive concentration of power. This is particularly the case with the banking institutions and we have therefore recommended in Chapter 18 that there be a prohibition on agreements between them with respect to lending and borrowing rates, and that this prohibition be supported by appropriate powers and penalties."

Again the commission states on page 564 of their report, and I quote:

"We have, in summary, favoured a more open and competitive banking system—carefully and equitably regulated under uniform legislation but not bound by restrictions which impede the response of the institutions to new situations, enforce a particular pattern of narrow specialization or shelter some enterprises from competitive pressures. We believe that this framework will encourage creativity and efficiency and offer the public the widest possible range of choice of financial services, while reducing the danger of unregulated institutions springing up to serve real needs which others are prevented from meeting."

This type of view which was expressed, as I say, in the Porter report, has been supported by various spokesmen of the chartered banks. The Toronto-Dominion Bank, through their president, Mr. Allen T. Lambert, stated on page 7 of his 1964 annual report:

"—in its report the Commission—recommends the release of the forces of competition wherever possible and this it feels will encourage creativity and efficiency and will make available to the public the widest possible choice of financial services."

The quotation continues:

"The management of your bank wholeheartedly endorses this approach and supports the implementation of the commission's recommendations relating to the banking system in substantially the form in which they have been proposed."

Again in an address delivered by Mr. W. Earle McLaughlin, chairman and president of The Royal Bank of Canada, at the Canadian Club in Toronto on September 28, 1964, it was stated:

"Certainly, and especially in the enlarged competitive environment that promises to emerge from the commission's report, I can only extend to privately owned and privately managed "new banks" the welcome I have already extended to the "near banks" as full fledged members of the society of "banking institutions" with equal rights, privileges, and obligations for all."

That appears on page 8 of a printed copy of Mr. McLaughlin's speech.

In their 1965 report the Bank of Nova Scotia, through their president, Mr. William Nicks, added his comment to the situation and with particular reference to the then proposed amendments to the Bank Act states:

"Some clauses of the bill were unquestionably well conceived—including, I must admit, the easier provisions for the chartering of new banks and other proddings towards a more competitive banking system."

That notation appears at page 10 of their 1965 annual report.

It appears to be clear therefore that there is room for more banks in Canada, and that existing bankers are not opposed to such a development.

Let us turn to the second question, namely, what is the procedure for forming a new bank in Canada.

The Bank Act is quite clear in this respect, and in sections 8 to 18 inclusive sets down the method of incorporating and organizing such new banks.

These provisions may be summarized as follows: First, capital of at least \$1 million must be subscribed and \$500,000 of this must have been paid in. Second, a bank must have at least five directors, a majority of whom are "subjects of Her Majesty ordinarily resident in Canada".

In addition, the founding group must satisfy the treasury board that the initial expenses of the bank are reasonable.

In this respect, on page 114 the Porter report states:

"The Inspector General told us that apart from expecting the bank to have somewhat more capital than the law requires and having an interest in the character and standing of the group making application, the government does not set out other requirements."

Dealing on page 385 of the report with legislation for the incorporation of banks, it is stated:

"The present Bank Act requirement that a new bank have paid up capital of at least \$500,000 as a minimum legal requirement seems appropriate. Other qualifications for a charter or incorporation should be kept at a minimum, although we feel the Act should require that applicants be of sound reputation and proven business experience."

The method for forming a new bank as laid down in the Bank Act is relatively simple and, in addition, the Porter report does not suggest that there should be any change.

Believing that there is more room for banks in Canada and following the procedure laid down in our existing Bank Act we decided in 1963 to apply to incorporate a new bank. We believe a duly chartered bank could operate and be successful in any part of Canada. For example, my home is in Toronto and, in spite of the fact that we have three banks with their head offices in Toronto I believe that it would be possible to form a new bank in that city and that it would be successful.

● (10: 00 a.m.)

On the other hand, we noted that between Toronto and the Pacific, there is a stretch of 2,100 miles without the head office of a bank. We feel that this is unfortunate and unnecessary. Head offices of practically every other type of financial institution are found in this area, including insurance companies (life and general), mutual fund organizations and finance companies.

Accordingly, believing that there is room for more banks in Canada, we propose to establish our bank in what appears to be the most obvious area, namely the Canadian west. The suggested head office for the bank is Winnipeg and from that base it is felt that the proposed bank will be able to serve efficiently its customers within the 2,100 mile area I have referred to from west to east.

The proposal to establish the bank in Winnipeg met an immediate good response throughout Canada and in particular in the Canadian west. It is our initial intention to raise approximately \$5 million which would form the equity for the proposed bank but we found that the response to the project was such that there was no difficulty in raising considerably more, and we are pleased to advise you that in total almost \$13 million is now held for investment in the proposed bank.

This money was originally raised in February and March 1964 and is broken down as follows: firstly, over 5,000 people placed \$6,450,000 in trust with the Canada Permanent Trust Company for future investment in the proposed bank. Secondly, a further 2,000 people put in trust \$3,750,000 to be invested by the Wellington Financial Corporation in the proposed bank. A further 2,600 people bought shares in Canadian Finance and Investment, which in turn is committed to investing \$2,250,000 in the proposed bank. I should have mentioned that Wellington is a Toronto based company originally established in Guelph, Ontario, in 1926. The Canadian Finance and Investment is a Winnipeg based company originally established in 1926 in that city. The York Trust and Savings Corporation of Toronto is committed to investing \$495,000 in the bank, and the proposed provisional directors of the bank are committed to a further \$37,500.

The trust funds to which I have referred, namely those placed with Canada Permanent Trust and those held in trust for the Wellington Financial Corporation, had originally a two year period or limitation and that at the end of that period if we had not received a bank charter the agreement stated the money was to be returned to the original subscribers. We were pleased to announce last February that we were able to hold two meetings of the subscribers. In the case of the Bank of Western Canada subscribers we found that, in spite of the fact that there are 5,197 holders of those certificates, and of that number 4,145 are resident in the Canadian west, we were able to get unanimous consent to the extension for a further year of the agreement in which these funds are held in trust. In the case of Wellington, a meeting was held in Toronto and again we were able to get a 98 per cent approval for an extension for a further one year period.

Having raised the almost \$13 million to which I have referred, in 1964 a petition signed by 100 persons—85 coming from the four western provinces—was filed asking for the incorporation of our proposed bank. On February 27, 1964, the bill to incorporate the bank was read the first time in the Senate, and on July 28, 1964 the bill was approved by the Senate and sent to the House of Commons. The bill received first reading in the House on July 30, 1964, but we were unable to obtain second reading before parliament prorogued on April 3, 1965.

A new petition was filed in April, 1965 which was signed, among others, by 82 members of the Manitoba Chambers of Commerce. This bill received first reading in the House of Commons on April 28, 1965, and second reading on June 22. Parliament however adjourned for summer recess on June 30th and as you know was dissolved in September when an election was called.

After our wait we are indeed pleased to be able to present our case to this committee having received second reading of the bill on February 10th of this year.

We feel that we have met all the requirements for the incorporation of a new bank and we would emphasize that we are applying for incorporation under the existing Bank Act. We are quite satisfied to commence business regardless of any revisions which may be made in this act.

Now let me touch briefly on point number four, namely how the Bank of Western Canada will function.

I would like now to give you some background information on the directors. First of all we have Mr. John Leslie Bodie who was born in Manitoba, educated in Manitoba and presently lives in Edmonton, Alberta. Mr. Bodie's main occupation at the present time is as vice-president and director of the British-American Construction and Materials Limited. He is also president of the Alberta Fidelity Trust Company in Edmonton.

Next we have Maxwell Bruce who was born in Toronto, educated in Toronto and presently lives in King Township, Ontario. He is a Queen's Counsel and a partner of the law firm of Manning, Bruce, Paterson and Ridout in Toronto. His directorships include the Crown Trust Company and the Remington Rand Company Limited. He is also a member of the Law Society of Upper Canada.

Our next director is Mr. James E. Coyne, born in Winnipeg, educated in Manitoba and presently living in Toronto. His principal occupation at the present time is as president and director of the Canadian First Mortgage Corporation.

Another of our directors is Mr. Edward R. P. Nesbitt. He was born in Mayo, Ireland, educated in Belfast, Ireland, and is presently living in Winnipeg, Manitoba. At present his main occupation is that of president of Crabb and Company Limited which is an investment real estate company in the Winnipeg area.

I have additional information on each of these gentlemen if you want further particulars.

Finally I come to myself. I was born in Esquesing Township, Ontario, educated in Toronto. I live presently in Toronto. My main occupation is with the British International Finance (Canada) Limited of Toronto.

The five gentlemen I have referred to would be included, it is proposed, among the first directors of the bank. Upon the election of these directors, arrangement will be made as soon as possible for the hiring of suitable staff for the bank who, I would stress, would all be professional bankers. In this connection, since our announcement was first made public in December 1963, we have received dozens of inquiries and letters from persons in the banking community requesting positions and indicating their desire to become associated with a new institution such as the one we propose. These overtures have come to us from those employed at many different levels in these institutions. In addition arrangements will be made for a suitable head office location for the bank in Winnipeg and for branch locations in cities such as Regina, Calgary, Edmonton and Vancouver. It is not our intention that the bank should operate in a manner radically different from the existing banks which are providing an excellent service for the people of Canada but we feel that we can add a competitive force to the existing services which are being offered and one which will be particularly felt in the west which is the area we hope primarily to service.

In summary, we feel that there is room for more banks in Canada; that we have met the necessary formal requirements for forming a bank; and that our charter should be granted as soon as possible. The granting of such a charter will be the first time in fifty years that a Canadian group with Canadian money in hand has received a charter for a bank in Canada and gone into operations.

Thank you, Mr. Chairman.

● (10: 10 a.m.)

The CHAIRMAN: I will now call on Mr. James E. Coyne. I believe his statement completes and supplements yours, Mr. Stevens.

Mr. Coyne, would you move forward to the main table?

Mr. MONTEITH: May I interject at this point before Mr. Coyne starts speaking? I know that at the moment we do not have permission to sit while the House is sitting, but I do not imagine we will be through with these gentlemen this morning. Perhaps that permission could be received at the opening of the House. If we are going to question these gentlemen further this afternoon perhaps it might be advisable to attempt to have photostat copies made of these opening statements so that we could have them available.

The CHAIRMAN: That is a constructive suggestion, Mr. Monteith. If the counsel for the sponsors of the bill has an extra copy, we might ask the clerk if she could have photostatic copies made of it so that they will be available to the members as soon as possible.

Mr. STEVENS: Although not all my remarks are contained in typed form, I could give it to you for reproduction.

Mr. JAMES E. COYNE (*President and Director, Canadian First Mortgage Corporation*): I myself do not have a written text, Mr. Chairman.

The CHAIRMAN: We will see if we can reproduce Mr. Stevens' statement. Our own notes of Mr. Coyne's statement will have to be sufficient.

Mr. COYNE: Mr. Chairman, hon. members of the committee, I am very glad to have this opportunity.

The CHAIRMAN: Excuse me, Mr. Coyne, perhaps you would prefer to sit down.

Mr. COYNE: Thank you, Mr. Chairman, I speak better on my feet, for a while anyway.

I am very glad to have this opportunity of appearing in support of the application for a charter for the Bank of Western Canada, not only because I am one of the provisional directors named in the bill but also because I have felt for some time that it would be desirable to have more banks in Canada, quite a number more, I would hope, before too long, as there has been such a long period of reduction in the number of banks, of mergers, consolidations and concentrations. As we well know, all the banks today have their head offices either in Montreal or Toronto. I do not see why there could not be in the future, as once was the case, banks with head offices in a dozen cities in Canada.

Ninety-nine banks have been chartered and have gone into operation in Canada since the first one 130 or 140 years ago, and only eight are now left. Only two have gone into operation in the last 50 years and neither of them had any Canadian capital in it. Four charters were granted to Canadian groups, the last one in 1928 I believe, but they did not succeed in going into operation.

In 1929, Barclays Bank of England got a charter for Barclays Bank of Canada Limited, a wholly owned subsidiary. They opened just a few branches in three or four cities and ultimately merged with the Imperial Bank. They did not try to build up a banking business on the basis of the deposits of the general public either throughout the country or in any one region of the country.

In 1953 the Handels Bank of Rotterdam, Holland, obtained a charter for the Mercantile Bank of Canada as a wholly owned subsidiary, subsequently sold to the First National City Bank of New York. They too until recently had only two or three branches and were not based on a general deposit business but very largely on connections with a number of large companies. They are branching out and have opened up several branches in Western Canada and elsewhere now when the charter of the Bank of Western Canada is pending.

When the Mercantile Bank application was before parliament in 1953, Mr. Graham Towers supported it despite the fact it was to be a foreign owned bank, if that were considered an objection. One of his reasons was that, firstly, he thought we should have more banks in Canada. Secondly, he doubted whether we would ever again see a Canadian group put together the capital and the organization necessary to start another bank. Therefore, if the only way to get a new bank started was to have outside interest, he favoured it.

Now here we bring before you a Canadian group which has collected capital from thousands of Canadian investors who have been waiting two years because of the kind of procedure which is necessary to get a bank charter under the present Bank Act and because of the developments in the past two years. We pledged our money in advance, we put it in the bank in the form of trustee certificates and in the form of shares in investment companies which in turn will be shareholders of the bank and who, a few weeks ago, renewed that pledge for a further period of 12 months to create every possible opportunity for the incorporation of this bank with that capital in hand.

We took special precautions to meet the argument that a new bank might fall under the domination of foreign interest and might sell out to foreigners. At that time, two years ago, there was quite a current of feeling in this country that it was undesirable to have Canadian banks under the control of non-residents; there was talk that the revision of the Bank Act, which was expected to come in 1964, would deal with that matter. So as a precaution we put a clause in our bill, Clause 5 which has been mentioned already, which was designed to prevent non-residents acquiring a proportion of the shares of this bank until such time as parliament has dealt with the matter in the pending revision of the Bank Act. In fact we did not make non-residents eligible at all to buy shares in the initial distribution, but we put in a provision that would operate after the bank was incorporated that non-residents could not acquire more than 10 per cent of the shares. Subsequently, in the bill which was presented to parliament for amendment of the Bank Act, a provision along those lines was made a general application. If and when that is enacted it is provided that the special clause in our bill should cease to operate and our bank shall be subject to the same provisions as the other banks.

Incidentally, that clause says it will cease to operate on July 1, 1966. That was drafted at a time when it was thought the Bank Act would be revised by then. Parliament has now extended, or is in the process of extending, the present Bank Act to December 1, 1966, so I presume a suitable amendment should be made to Clause 5 when the time comes.

Over the past 50 years, as I have said, there have been no Canadian groups that have established a chartered bank in Canada owing perhaps to the tradition that has developed that it was impossible, or at least Mr. Towers seemed to think it was very difficult to do so. The procedure of getting a bank started is very difficult and discouraging; everything works in favour of protecting the existing number of banks and not having very many more. Perhaps the fact that some banks went bankrupt or found it necessary to merge with other banks in the past was considered to be dangerous or to present a difficulty; but perhaps not enough attention has been given to the many changes that have taken place in the world of banking during those 50 years. These are very important changes—and we only have to mention them in order to appreciate their significance—which have provided more security for depositors and shareholders, more protection for the public interest, more opportunities for the profitable use of the funds of the banks, and generally have improved the whole banking and financial machinery in this country.

● (10: 20 a.m.)

At the time of the amendment or revision of the Bank Act in 1911, provision was made for the first time in this country for an outside audit of the affairs of the chartered banks, a so-called shareholders' audit. Until that time there was no audit except by the employees of the bank itself. Those provisions were strengthened in 1923 by amendments designed to ensure that the government was satisfied with the character and ability of the auditors chosen for this purpose. There was a bank failure in 1923 and it was just after that bank failure, which was the last one in this country, 43 years ago, that as a consequence provision was made for government inspectors to be added to the bank audit through the office of the Inspector General of Banks. Since that time there has been no bank failure, although there have been several mergers.

At one time it might have been considered difficult to raise capital for banks because of the double liability laws under which shareholders could be called upon to put out twice as much money as they thought they would have to put up. That seems to have been associated with the liabilities to which banks exposed themselves through issuing bank notes. I think it was at about the same time as the right to issue bank notes was taken away that the requirement of double liability was removed from shareholders.

In addition to structural changes of this sort and changes in the Bank Act, in 1934 the Bank of Canada Act was passed. We have had a central bank operating in this country since then. It is my belief that this makes the banking system more efficient and more safe, and provides the great advantage to all the banks operating under the Bank Act that they have direct access to the Bank of Canada for loans from time to time and that the Bank of Canada takes action on its own initiative to prevent acute crises of credit and currency which might have a bad effect on the banks, and of course on many other institutions.

All these things, therefore, I think make it desirable that people should realize there are opportunities for starting banks in Canada as business operations, starting them under private ownership with the sale of shares, operating them at a profit and having a good investment. I believe there are special opportunities at this time for a new bank in western Canada, perhaps also in the Maritimes, and perhaps several banks in western Canada.

There has always been strong public feeling in the West that their affairs do not get as much attention from head offices in Toronto and Montreal as the western people feel they deserve, and there has been strong feeling that they would like to have financial institutions stationed there dealing with them.

The West is in a period of great economic development. More financial institutions there could play a part in that development. We feel this bank should be a western institution, that the West is the best place to start a new bank and to carry it through to successful operation. That means in our view that so far as possible the majority of the shareholders should be in or from western Canada. Of course, we cannot determine that after the first subscription because people can sell out. We feel that the majority of directors should live in or be from western Canada; and we can make sure of that I think. The chief executive officers, the management, shall be in Winnipeg, which has been chosen as a particular city in western Canada; and all the affairs of the bank should be conducted from that head office. We also feel that as a principle of operation such a bank should make it a policy as far as possible to make its loans in western Canada, and indeed in different regions of western Canada with particular reference to the places in which it acquires deposits. Other banks, nation-wide banks, feel it is their business to take capital from one part of the country to another. I do not say it is wrong for them to do so, but I think there is room for the other principle too, the principle that local capital should be used to finance local undertakings.

This means that we are proposing to set up a regional bank. All chartered banks were regional banks when they started, and in a way in many cases their development and growth into nation-wide institutions has been accidental. Two of them are still very largely confined to one province, Quebec, and several of the others are very poorly represented in one region or another, such as the Maritime provinces. One of them is a very small bank, the Mercantile Bank, which just has a few branches scattered across the country.

We envisage the Bank of Western Canada for a considerable period being definitely a regional bank. Of course, it will be a small bank. However, it has more capital pledged to it lying in bank accounts and so on waiting to be invested in it than any bank ever had before, several times as much as any other bank in Canada ever started with. Nevertheless, compared with the giants of today, it will be a small bank and it will have to behave accordingly. It has a good capital to start with, and the earnings on that capital will enable it to employ staff and take on expenses before it has acquired a very great volume of deposits, but its future growth will depend to a great extent on the way in which it appeals to the people in western Canada. It will not be so small to people in western Canada as it might seem in comparison with the other banks, to people in Toronto and Montreal; but an institution with \$13 million is quite a respectable sized institution.

As Mr. Stevens has said, the intention is to staff the bank with professional bankers, and in time the bank will train its own staff in the same way as other banks now do.

We have perhaps one advantage in prospect: it seems to be unheard of for any of the existing banks to hire a man who has previously worked for another one of the existing banks. We will not have any compunctions of that sort, and we expect we will be able to hire a number of people from the existing banks. I

may be wrong, but that is my impression. Some bankers have told us they are afraid to try to get a job with another bank because if they do not get it they would be "in bad" with their own bank, but this may not be so in our case.

I must not take up too much time, but there are a few more remarks I would like to make.

This application is desirable in the public interest. I wish to be part of the project myself, and I hope that after all this time it will not be too long now before we can get our charter. Then of course we have to satisfy the Inspector General of Banks and the Minister of Finance that we have set everything up in such a manner that we should get a licence entitling us to commence operations.

The CHAIRMAN: Thank you, Mr. Coyne.

We will now proceed with questioning of Mr. Coyne and Mr. Stevens. I propose to do this by noting on a list those who wish to ask questions, and I propose to go around once before a second turn is given to any member. Mr. McLean was trying to attract my attention even while Mr. Coyne was testifying, so I will ask him to proceed.

Mr. McLEAN (*Charlotte*): Mr. Coyne, I noticed in *The Gazette* the certificates or shares of the Bank of Western Canada were quoted at \$16.50 and \$17. At what were these certificates issued?

Mr. COYNE: They were issued at \$15.

Mr. McLEAN (*Charlotte*): Is \$10 going into the capital and \$5 into reserve?

Mr. COYNE: Yes.

Mr. McLean (*Charlotte*): Then anyone who has taken up these certificates has already made a profit on them.

Mr. COYNE: I suppose they will not have made a profit until they sell them. The original subscribers paid \$15 and the term of the subscription was that if there was no bank they would get back the same amount—\$15. Since that time other people have been prepared from time to time to pay more than \$15 to acquire those rights. There was a brief time when they sold for a little less than \$15, but generally they have been selling for more.

Mr. McLEAN (*Charlotte*): Is the \$2,250,000 put up by a finance company?

● (10:30 a.m.)

Mr. COYNE: It has the word "finance" in its name but Canadian Finance and Investments Limited is an investment company; it is not a finance company in the sense of engaging in loans or consumer credit. It has about \$4 million in capital and perhaps about \$3,300,000 already and \$700,000 more subscribed. It has made investments in financial institutions; the Fort Garry Trust Company in Winnipeg, for example, was started by it with a 50 per cent share ownership. It also made an investment in the Alberta Fidelity Trust Company of Edmonton with about a 30 per cent share ownership. It made an investment in the Canadian First Mortgage Corporation in Toronto, of which I am president, in which it has about 16 per cent share ownership. It has those investments in addition to the proposed investments in the Bank of Western Canada.

Mr. McLEAN (*Charlotte*): Is it more or less a closed-end investment company?

Mr. COYNE: I think that is correct, yes.

Mr. STEVENS: I think a more appropriate name would be Canadian Financial Investments.

Mr. McLEAN (*Charlotte*): I note that the liabilities to the public in the last three years of the trust companies, the mortgage loan companies, and the sales and finance companies have gone up by about \$4 billion. Apparently quite a proportion of this business has been taken away from banks. No doubt if there were more banks they could get more of that business, but could they get it under the six per cent ceiling?

Mr. COYNE: No, I do not think they could.

Mr. McLEAN (*Charlotte*): In your opening statement you talked about the banks' inner reserves and the total of the inner reserves. I always thought that was a secret between the Governor of the Bank of Canada and the Finance Minister; I did not know those figures were published.

Mr. COYNE: They are published by the Bank of Canada. The reference I made was not to the amount of the reserves. I do not know that the amount has ever been published, although the report of the Royal Commission said something about it. What they do publish is the amount added to the reserves each year not by individual banks but as a whole.

On your previous question about the mortgage companies increasing the business under the six per cent ceiling in competition with the banks, I would say that if they were subject to the same ceiling as the banks and if they did not have the advantages the banks have, I do not think they could have competed successfully. But the banks have so many advantages over mortgage and finance companies that the advantage lies with them.

Mr. McLEAN (*Charlotte*): We have noticed in the last few years that trust company stocks have been going up and up because the trust companies have been able to obtain the business, and they must have been able to obtain the business because they could charge greater rates. For a short time I was a director of a company from which some church obtained a loan, and they were charged eight per cent.

Mr. LEBOE: I would like to go into the mechanics of this if you do not mind.

The first question I would like to ask about the proposed bank is what you anticipate will be the original amount of money that you will put into the Bank of Canada as a reserve.

Mr. COYNE: Of course we would be bound by the provisions of the Bank Act to a minimum. The reserve that one puts into the Bank of Canada under the Bank Act is eight per cent of one's deposits.

Mr. LEBOE: Presumably you have no deposits when you open your door. I would like to know if you know approximately what you intend to deposit with the Bank of Canada in the way of reserves when you open your doors to do business.

Mr. COYNE: I do not think there is any firm decision on that. I think the board of directors when they first meet will have to deal with questions of that nature. We cannot obtain our licence to operate, as I understand it, until the Minister of Finance has a certificate saying we have a certain amount of money with the Bank of Canada. I do not remember offhand what that amount is.

Let me say this. A new bank, a small bank, would have to keep a much greater proportion of cash reserve with the Bank of Canada than would the other banks. I think that would be the proper way to operate.

Mr. LEBOE: On this basis, and just to take a figure out of the hat, let us suppose that we had deposited \$10 million or \$8 million with the Bank of Canada for reserves. Let me say \$10 million in order to keep to round figures. How much currency could you as a bank demand from the Bank of Canada if you had deposited with them \$10 million?

Mr. COYNE: They would have \$10 million of our money so I presume we could demand that much. Incidentally, I would not agree to any such figure because unfortunately the Bank of Canada does not pay interest.

Mr. LEWIS: I thought you would not agree to that.

Mr. COYNE: If you want to make it \$1 million, that might be more realistic.

Mr. LEBOE: It does not make any difference what figure we take for the purpose of the discussion. I like to play with large sums because that is the only time I see them!

Mr. COYNE: That money can be paid out by cheque drawn against your account with the Bank of Canada. The only other provision of which I know is that the Bank of Canada in its discretion can make loans to charter banks from time to time.

Mr. LEBOE: A couple of years ago I checked with the secretary of the Bank of Canada who told me that in his knowledge the banks had never availed themselves of this wonderful opportunity to borrow money from the Bank of Canada.

Mr. COYNE: I think that is more than two years ago. The first time I recall was around 1954 or 1955. In order to get it started the Royal Bank took a loan, and announced that they had done so. They announced that they were putting this facility into operation. Mr. Muir of those days used to do so.

Mr. LEBOE: It is not common?

Mr. COYNE: It is not common but it is published every week by the Bank of Canada; it has happened every month or so.

Mr. MONTEITH: It is usually for a very short term.

Mr. COYNE: Yes.

Mr. LEBOE: We have established that you can obtain currency for the amount of your deposit in the Bank of Canada if you want it.

Mr. COYNE: If you need it to spend, but you are expected to replace it as soon as possible because the purpose of placing a reserve with the Bank of Canada is to keep it there.

Mr. LEBOE: In other words, the Bank of Canada says it is their currency so you pay on demand? You get a dollar, you send it to the Bank of Canada and you get another dollar for the same dollar you had.

Again, I would like to ask what is the maximum in dollars that you can obtain as a result of your deposit, and not counting what is commonly termed "suasion". You mentioned eight per cent did you not?

Mr. COYNE: Yes, of reserve.

Mr. LEBOE: You say \$1 million instead of using the figure \$10 million, so you can now increase that amount to the extent that the \$1 million represents \$8 million if you are up to your maximum. Is that right?

Mr. LEWIS: It will be 12½ million. I think this pertains more to a general banking situation.

Mr. LEBOE: This is right.

● (10: 40 a.m.)

Mr. COYNE: Of course, this is a subject which has been discussed. I have discussed it on occasions in the past.

The banking system as a whole can respond to an increase in money by the Bank of Canada by multiplying loans and deposits about 12 times for every dollar that the Bank of Canada puts out. But, an individual bank may not be able to do that at all. In the case of an individual bank, if it gets \$1 million of Bank of Canada funds, all it has is \$1 million; if it uses that amount for lending it is gone, and it does not have any more. That bank will only get additional deposits if other banks, in turn, have been getting money from the Bank of Canada and lending it to people who deposit it not with them but with a first bank. It is only if they re-deposit back and forth between banks that you get this multiplying factor operating. And, in the case of a small bank you may not get anything of that sort at all. This is much more apparent in the United States, where there are a vast number of banks of every conceivable size. But, there is the Royal Bank, the Bank of Commerce and the Bank of Montreal. They know that they are going to get back into progress at least 25 per cent of any loan they make. And, they know that other banks are making loans at the same time and under the same motives, and they are going to get 25 per cent of the deposits that way. Because of the way business is run in this country the large banks know pretty well what proportion of any expansion they are going to get. But, a small bank has not any such assurance.

Mr. LEBOE: You are referring now to the deposit liabilities?

Mr. COYNE: Yes, and the assets that correspond to them.

Mr. LEBOE: But, not the original deposit you have with the Bank of Canada?

Mr. COYNE: No.

Mr. LEBOE: You are referring to the deposit liability.

Mr. COYNE: I am referring to the gross.

Mr. LEBOE: Perhaps this is a question which may be covered when we are studying revisions to the Bank Act. I have not studied the act to that extent but I would like to put this question to you. Do the directors contemplate separate real estate firms or corporations handling their properties?

Mr. COYNE: I do not think there has been any consideration given to that except to say that I do not contemplate that we will have much in the way of property. We are going to be very careful about investing money in premises and things of that sort. We may rent premises for quite a time rather than acquire them by ownership.

Mr. LEBOE: In your previous experience with the Bank of Canada could you tell me if it is possible for a chartered bank to loan money to a real estate corporation which is operated in connection with your home bank?

Mr. COYNE: I am sorry, I do not know. I do know banks are allowed to own companies to do certain things, such as own bank premises. It can set up a separate company and own all the stock in that company. But I do not know whether it also can make a loan to that company. This would be determined by the Bank Act.

Mr. LEBOE: Anyway, it is a good question. To what extent will deposit liabilities enable your bank to loan money? I think you have partly answered the question but what is the procedure that is followed in this connection? In other words, you have now opened up your doors and you have a deposit with the Bank of Canada. You are ready for business and people come in and deposit X number of dollars. In percentage, to what extent do you consider that this will enable you to make loans to someone else?

Mr. COYNE: Well, if we followed the same proportions as the other banks are presently doing I do not think that about 70 per cent of the total deposits are in loans and in corporation securities. They have 8 per cent cash with the Bank of Canada, about another 8 per cent in short term government securities such as treasury bills and, say, another 15 per cent in other government bonds. That leaves about 70 per cent, which is rather a high percentage in risk assets.

Mr. LEBOE: I have two more short questions. I notice in your statement reference is made to the advantages of the bank over trust companies and credit unions. You did not mention credit unions but I assume you are referring to any 100 per cent reserve accounts. In that connection do you see any real reason for raising the bank interest rate over 6 per cent when you do get the advantage that we just spoke of, namely of expanding the credit and getting interest on moneys that you actually have not had by virtue of your charter. I know that is a difficult question but I would like an answer.

Mr. LEWIS: Mr. Chairman, perhaps that can be discussed later on.

Mr. COYNE: That is what I was going to say. As far as we are concerned, we are not advocating such a change; we do not have any particular standing to do so. We will live with the Bank Act as it is or we will live with it as it is revised by parliament. If our views are desired at some future stage we will be pleased to advance those views. But, I do not know that it is directly concerned with our present application.

Mr. LEBOE: Mr. Coyne, in respect of the Bank of British Columbia have you any joys or fears in connection with the incorporation of that bank?

Mr. COYNE: No, not really. Of course, we were the first in the field; we announced our project in early December, 1963, at which time we had a number of supporters in Vancouver and British Columbia as well as elsewhere in western Canada. We were a bit surprised to hear later that two other bank charter applications came forward, one of which I understand, has been dropped. However, the Bank of British Columbia is still alive and we certainly have no opposition whatsoever to it. It means perhaps that they will have a considerable advantage over us in British Columbia, but we would hope to operate in British Columbia in competition with them and the other banks.

The CHAIRMAN: Have you a question, Mr. Grégoire.

Mr. GRÉGOIRE: Yes, Mr. Chairman, I have several questions. I would like to direct my first question to Mr. Stevens. Among the shareholders, are there some from outside of Canada now?

Mr. STEVENS: Mr. Grégoire, are you speaking of those who would hold shares directly in the bank or in our other companies?

Mr. GRÉGOIRE: No; I am referring to the bank. Have you not some companies holding shares in your bank now?

Mr. STEVENS: Yes, and of that number we see that we have under the category "other", which means other than Canadian shareholders, 29 people out of 14,158 who are not resident in Canada. I think that in most cases you will find that they are people who originally registered in Canada but have moved for some reason, and they are still shareholders.

Mr. MACDONALD (*Rosedale*): Do you mean people or persons?

Mr. STEVENS: Persons.

Mr. MACDONALD (*Rosedale*): They are natural persons and corporations.

Mr. STEVENS: Correct. In other words, out of over 14,000 shareholders in our group companies and those who will be shareholders of the Bank of Western Canada there are 29 who are not resident in Canada, and there are no proposed shareholders of the bank who are not residents of Canada.

The CHAIRMAN: Gentlemen, in an effort to be orderly I would suggest that we proceed around the table before allowing supplementary questions to be put. If such supplementaries are put at this stage it might prevent others from being heard.

Mr. GRÉGOIRE: What would be the percentage of shares held by those 29 who are not resident in Canada?

Mr. STEVENS: I am sorry but I cannot give you that. Do you mean individuals as opposed to companies?

Mr. GRÉGOIRE: Yes. You say there are 29 non-resident shareholders?

Mr. STEVENS: Correct.

Mr. GRÉGOIRE: What would be the figure in percentage of shares?

Mr. STEVENS: You mean on a percentage basis?

Mr. HORNER (*Acadia*): In dollar value.

Mr. STEVENS: I am sorry. I think I can give you that information. If you take the value of shares and do not include in that 29 a company which we own in Nassau which, according to the register, is shown as a non-resident company, the value would be about \$85,000 out of \$23,462,000.

● (10: 50 a.m.)

Mr. GRÉGOIRE: But, what would the figure be including this company from Nassau?

Mr. STEVENS: If you include the Nassau company the value is \$1,485,000.

Mr. GRÉGOIRE: About 5 per cent.

Mr. STEVENS: Perhaps you can make a quicker calculation than I can, but I think that is about right.

Mr. GRÉGOIRE: And, among those non-resident shareholders would there be some, perhaps two or three per cent, holding shares individually?

Mr. STEVENS: No, other than our own Nassau company.

Mr. GRÉGOIRE: But, your Nassau company is responsible for about 5 per cent of that \$1,400,000.

Mr. STEVENS: Yes.

Mr. GRÉGOIRE: That is in respect of Nassau?

Mr. STEVENS: Correct.

Mr. HORNER (*Acadia*): What is the name of that company?

Mr. GRÉGOIRE: Are there other shareholders who own 5 per cent of the shares individually or as a company?

Mr. STEVENS: The Great West Life is a large proposed holder, and I would think their holdings would be about 3 per cent.

Mr. GRÉGOIRE: Then this non-resident company from Nassau, in dollar value, will be the biggest shareholder?

Mr. LEWIS: I think the 5 per cent included more than the company.

Mr. GRÉGOIRE: Mr. Stevens said that without this company the figure would be \$85,000 and, including it, the figure would be \$1,485,000, which is more than 5 per cent. Therefore, this Nassau company would be the biggest individual shareholder.

Mr. STEVENS: No. Incidentally, someone asked the name of that company. It is called the British International Finance Trust, which is a wholly owned subsidiary of our Canadian company, British International Finance of Canada.

I suggest there is really no significance in the fact it is registered in Nassau as opposed to Toronto. Now, the holding, British International Finance Trust, is entirely in the Wellington Financial Corporation and the Wellington Financial Corporation, in turn, has a holding in the Bank of Western Canada. The figures I have been giving you are the aggregate figures with respect to holdings in the Bank of Western Canada and all companies that are directly or indirectly in our group which will own shares in the Bank of Western Canada.

Mr. GRÉGOIRE: But, British International Financial Corporation was incorporated in Canada.

Mr. STEVENS: Correct.

Mr. GRÉGOIRE: And, it is the biggest shareholder.

Mr. STEVENS: Oh no.

Mr. GRÉGOIRE: Individually, I mean.

Mr. STEVENS: No. The British International Finance Trust is listed among the non-resident shareholders and it is the biggest non-resident shareholder.

Mr. GRÉGOIRE: Are there some Canadian shareholders with more shares in dollar value than this company?

Mr. STEVENS: No—

Mr. GRÉGOIRE: That is what I am pointing out.

Mr. STEVENS: I cannot follow exactly what you mean, Mr. Grégoire. The bank will be owned by four different main groups. The first group is a group which owns shares directly in the bank and are now holding trustee certificates. Now, altogether they number a total of about 5,100 odd. The next largest shareholder in the bank will be the Wellington Financial Corporation, which owns approximately 30 per cent of the proposed bank.

Mr. GRÉGOIRE: And, is it a Canadian company?

Mr. STEVENS: Yes. In turn, it is controlled by British International Finance, Canada.

Mr. GRÉGOIRE: Did you say controlled or is controlled by?

Mr. STEVENS: No, it is controlled by British International Finance, Canada.

Mr. GRÉGOIRE: So, British International Trust has about 5 per cent of the shares directly?

Mr. STEVENS: No. It has shares in the Wellington Financial Corporation which, in turn owns about 30 per cent of the Bank of Western Canada.

The CHAIRMAN: Mr. Grégoire, do you understand what Mr. Stevens is saying?

Mr. GRÉGOIRE: I do not understand it too well.

In dollar value what does British International Trust Company hold?

Mr. STEVENS: Approximately \$1,400,000; that is in Wellington Financial Corporation.

Mr. GRÉGOIRE: That is the amount of the shares they have in Wellington Financial Corporation.

Mr. STEVENS: Yes.

Mr. GRÉGOIRE: Then, they are not direct shareholders of your company?

Mr. STEVENS: No. I am sorry but I was only giving you the figure of our entire group and I was wanting to show there is no non-resident ownership of substance in our entire group. Now, we can start with the first premise; there is no direct foreign ownership in the bank.

Mr. GRÉGOIRE: So, your main shareholder in dollar value would be Wellington Finance Company?

Mr. STEVENS: Correct.

Mr. GRÉGOIRE: And, that is a Canadian company?

Mr. STEVENS: Yes, incorporated in Guelph in 1926. It still has an office in Guelph but the executive offices are in Toronto.

Mr. GRÉGOIRE: And, this company is controlled by Canadian residents?

Mr. STEVENS: Yes. Wellington Finance Corporation is a public company listed on the Toronto Stock Exchange.

Mr. GRÉGOIRE: Suppose we divide Canada into four parts: Western Canada, Ontario, Quebec and the Maritimes; would it be possible to have the dollar value in percentages in respect of each area?

Mr. STEVENS: Do you mean in the bank?

Mr. GRÉGOIRE: Yes, the actual shareholders.

Mr. STEVENS: Yes. I can tell you that there are a total of 430,000 shares which will be issued directly to people in the Bank of Western Canada. I am referring to the people who hold trustee prescription certificates at the present time. Now, of that figure of 430,000, 283,735 are in the four western provinces and the territories; 128,135 are in Ontario; 10,655 are in Quebec, and 7,475 are in the Atlantic provinces, and there are no others outside Canada. I believe that should total 430,000. If you like, I could give you a breakdown in the four western provinces. Would that be helpful?

Mr. GRÉGOIRE: No. You have given me sufficient information. I see that out of the five people mentioned in article I that three are from Ontario.

Mr. STEVENS: Correct.

Mr. GRÉGOIRE: That is, three out of five. Will the most important shareholders come from the western provinces?

Mr. STEVENS: Yes. Now, upon the formation of the bank it is anticipated that the board will be larger than five and that additional bank directors will be added, the majority of whom will come from the four western provinces.

● (11: 00 a.m.)

Mr. GRÉGOIRE: May I ask a question of Mr. Coyne? I know he has much experience with the banking system. With a capital of \$25 million, how much do you expect to be able to lend?

Mr. COYNE: We expect we will have \$13 million actually paid in. Some of that will have to be invested in liquid securities, in government bonds and things of that sort, but a large proportion of the capital will go out in loans and an even larger proportion of the deposits, as they are received, will go out in loans.

Mr. GRÉGOIRE: But how much do you expect that your bank will be able to lend within, let us say, three years? What do you think will be the sum loaned in three years?

Mr. COYNE: I think you will find that the total assets of the existing banks are roughly 20 times their capital. That is because they have been able to acquire deposits and they think a ratio of 5 per cent of the capital to deposits is satisfactory. If we had \$25 million capital all paid in and if we had 20 times as much as that in deposits, we could then lend \$525 million, but it would take a long time to get \$500 million deposits from the public.

Mr. GRÉGOIRE: Will your interest be 6 per cent of the \$500 million?

Mr. COYNE: The loan interest rate?

Mr. GRÉGOIRE: Yes, would it be 6 per cent of the \$500 million?

Mr. COYNE: It would be less on some investments, but if this were all in loans then you are correct.

Mr. GRÉGOIRE: Are there trust companies or finance companies with such capital investment that can lend 20 times their capital?

Mr. COYNE: No, under the federal law they are limited to 15 times their capital. The volume of deposits they may accept is limited to 15 times their capital and therefore the volume of loans and investment they can make is limited that way.

Mr. GRÉGOIRE: Mr. Coyne, I have another question on the banking system. When a bank lends money do they expect to be paid back?

Mr. COYNE: Yes.

Mr. GRÉGOIRE: That is normal?

Taking some capital short term securities or government bonds, is the direct debt of the Government of Canada roughly \$18 billion? But if we consider the sum of all the money—the monetary mass—either legal or credit, it does not amount to that.

Mr. COYNE: It is rather more than that, is it not? I do not think I have the figures on hand but my impression is that the banks total assets—

Mr. GRÉGOIRE: I do not mean the bank's total assets, I mean the total money in circulation.

Mr. COYNE: You mean the Bank of Canada's liabilities?

Mr. GRÉGOIRE: Plus the credit money.

Mr. COYNE: It depends on how many different kinds of credits add to your total. If you include commercial credit, it would be larger.

Mr. GRÉGOIRE: I do not include that.

Mr. COYNE: But commercial companies do buy government bonds and so do life insurance companies.

Mr. GRÉGOIRE: It is a little less than the total debt of the Government of Canada. Is that right?

Mr. COYNE: I do not understand the particular definition you are using to say that something is less.

The CHAIRMAN: Can I interject at this point? This is an interesting line of questioning but I would like to suggest to the committee that we are dealing with a specific matter. I want to make a suggestion which may or may not meet with your approval. It is likely this committee will have before it some wide ranging amendments to the Bank Act which it will have an opportunity to go into in detail, including the matter which you are touching upon, Mr. Gregoire, which is very interesting and important, as well as other areas which may be considered. Maybe, therefore, you would prefer to withhold this type of questioning.

Mr. LEWIS: Mr. Gregoire wants a rehearsal.

Mr. GRÉGOIRE: I would like now to put some questions regarding the operation of this particular bank, not the whole system. My argument is that the debt of the Government of Canada is higher than the whole monetary mass in Canada so that the Government of Canada will never be able to pay back its debt. Do you think it is a good idea to lend money to the Government of Canada when you know that it is impossible for the Government of Canada to pay it back? Do you think it is a good risk to lend to the Government of Canada?

Mr. COYNE: I do because the Government of Canada's debt is not payable all at one time; the payment dates are spread over 20 or 30 years.

Mr. GRÉGOIRE: Will they have to borrow to pay back?

Mr. COYNE: They could increase taxes.

Mr. GRÉGOIRE: Is that a suggestion?

Mr. COYNE: Most people would not consider it desirable. Normally they would borrow again from somebody else.

Mr. GRÉGOIRE: So to pay back its debt, the government has to borrow.

Mr. COYNE: Yes, in other words the government itself does a sort of banking business.

The CHAIRMAN: Mr. Gregoire, did you finish your questioning?

Mr. GRÉGOIRE: I have one more question.

Considering the value of the shares of other banks today as compared to that when they started, what do you expect to be the value of the shares of your bank in, let us say, five years' time?

Mr. COYNE: I will not say what the value will be in five years but I will say that I hope that after the same length of time as the other banks had our shares will have gone up the same amount.

Mr. GRÉGOIRE: Do you calculate it would be a good investment?

Mr. COYNE: In the long run, yes.

Mr. HORNER (*Acadia*): I would like to put a question to Mr. Stevens. What is your connection with the Wellington Financial Corporation, the Canadian Finance and Investments Limited and the York Trust and Savings Corporation?

Mr. STEVENS: I am president of all three.

Mr. HORNER: What is your connection with the British International Finance (Canada) Limited?

Mr. STEVENS: I am also president of that company.

Mr. HORNER (*Acadia*): I think you mentioned in your talk that British International owned part of the Wellington Corporation, part of the Canadian Finance and Investments Company and part of the York Trust. Am I right in that?

Mr. STEVENS: British International Finance owns part of the Wellington Financial and of the Canadian Finance and Investments. In turn, the Wellington Financial owns part of the York Trust.

Mr. HORNER (*Acadia*): Who owns and controls British International Finance?

Mr. STEVENS: This is a good question. All I can tell you is that, as you probably know, this question was raised in the Senate. At that time we submitted a shareholders' list of the "A" shareholders and the common shareholders of British International Finance. Would you like to get an up-to-date current list, especially with regard to the common shareholders?

● (11: 10 a.m.)

Mr. HORNER (*Acadia*): I would like to have the up-to-date list. In the Senate it was pointed out that out of the 64,000 outstanding shares you and your associates owned a controlling interest of British International Finance. Am I correct?

Mr. STEVENS: If you mean by control the largest single block, the answer to your question would be yes. If you mean control as 51 per cent in voting power, the answer to your question is no.

Mr. HORNER (*Acadia*): I realize that while you may not hold a positive control, you hold a general control.

Mr. STEVENS: The term sometimes used is "effective control".

Mr. HORNER (*Acadia*): Yes, this is what I mean.

Mr. STEVENS: It is effective as long as anyone does not line up against you.

Mr. HORNER (*Acadia*): Generally speaking the large shareholder, particularly one who is near the 50 per cent mark, pretty well controls everything. In other words, you and your company own British International Finance, and

British International Finance has effective control of the Wellington Financial Corporation and Canadian Finance and Investments. Am I right?

Mr. STEVENS: Yes, in the terms I mentioned.

Mr. HORNER (*Acadia*): Would I be right in assuming that you would have nearly 50 per cent of the paid in capital, of the \$13 million in this proposed chartered bank?

Mr. STEVENS: You mean in our various companies?

Mr. HORNER (*Acadia*): Yes.

Mr. STEVENS: At the beginning that was true. As you will recall, it was contemplated in the proposed amendment to the Bank Act that was introduced in the last parliament, and is also referred to in the Porter Commission Report, that initially there should be an exception made when a new bank is starting. In other words, while it may be considered desirable to have the share ownership of banks spread around into relatively small holdings and certainly no large block, it is accepted, I believe, that initially some organizational group is likely—and in fact it would be very difficult not to do it otherwise—to have a very dominant block in any new bank that is being formed. Our intention is that while we should start with, say, effective control, in all likelihood it would not be maintained, and the suggested changes in the last Bank Act are quite acceptable to us in the sense that we would divest our holding if asked to do so by the Treasury Board or whoever is in authority. We would also agree not to exercise rights or warrants in this type of thing to maintain our position.

Mr. HORNER (*Acadia*): I think Mr. Porter stated in his banking report that while competition between banks is increasingly great, the banks still have a very dominant influence on the Canadian economic system. He also stated somewhere that banks should be broadly based, and that the directorship of the banks should, if possible, represent as many segments of the economy as possible. Would you agree with my summation of that particular paragraph?

Mr. STEVENS: I do not think there is anything wrong with that principle.

Mr. HORNER (*Acadia*): How can you come before this committee stating that you have nearly 50 per cent of the paid in capital of this bank and at the same time agree with the principle that it should be a broadly based bank? I do not think that you are broadly based if you ask parliament to give you a charter whereby you could multiply your money, as somebody said, 20 times.

Mr. STEVENS: Initially it would be difficult to organize a bank and have that type of diversification right from the beginning because two things could easily happen, one is that you would end up in utter chaos and confusion regarding who should take the lead in organizing and establishing branches, hiring management and so on. The second thing that is probably more likely to happen is that the ownership being so widely spread, you would quickly find a fight for control and some group, completely unknown to parliament, could potentially come in and take over the bank. In that sense parliament would have no control over who owns the bank.

Mr. HORNER (*Acadia*): What you are saying is that you are better than an unknown factor.

Mr. STEVENS: At least you know us.

Mr. HORNER (*Acadia*): Going back to how well we know you, what has been your line of business with regard to British International Finance? In other words, I believe it is the Inspector General's duty to recommend through the banks from time to time that they diversify their investments. If he feels a bank has gone too far in any direction, he can recommend or advise such a chartered bank to diversify. Could you give the committee some idea of the activities of British International Finance so that we may be made aware of the trends of this bank in the future?

Mr. STEVENS: We have felt in British International that there is room for the creation, organization and expansion of new Canadian financial enterprises, and having this view we first of all established—I will refer to the main companies—a company in Toronto called York Trust and Savings Corporation. We raised capital substantially from the public to start the base for that company and it, in turn, has expanded in Toronto and presently has 15 branches in that city.

Mr. HORNER (*Acadia*): May I interject here? In other words British International Finance's purpose in the years gone by has been to foster finance companies. Would that be a correct interpretation?

Mr. STEVENS: No. I am using the term "financial companies" in the broad sense. York Trust is not a finance company.

Mr. HORNER (*Acadia*): Is it an investment company?

Mr. STEVENS: No, it is a trust company that was formed under the Loan and Trust Corporation Act of Ontario and is supervised by the Department of Insurance in Ontario. It has exactly the same status as National Trust which is incorporated under the same act.

Mr. HORNER (*Acadia*): And deals mostly in second mortgages.

Mr. STEVENS: No, under our act—the Loan and Trust Corporations Act—we are specifically not able to go into second mortgages.

Mr. HORNER (*Acadia*): What line of business do they go into?

Mr. STEVENS: In the main it holds mortgages of the type that are generally referred to as conventional first mortgages. That means that you cannot go higher than 75 per cent of the appraised value of the property on which you are loaning. In Ottawa the comparable act is the Trust Companies Act which in turn has the same general type of rules regarding loans.

If I might go on now, with this view—that there is room for more institutions of this type in Canada and that they should be encouraged—we started the York Trust in Toronto. We purchased control of the Lambton Loan and Investment Company in Sarnia with a view to expanding that company. That is a company that is again under the Ontario Loan and Trust Corporation Act, and in fact is the oldest company of its kind in Canada. It started in 1844. Since getting control of that company, we have doubled the number of branches from two to four. We feel that a very worthwhile company could be built up in western Ontario. In Winnipeg we raised funds for the establishment of the Fort Garry Trust Company. That company is now active in Winnipeg and is supervised by the Dominion Department of Insurance with the arrangement that the province of Manitoba has. In Alberta we have purchased a 30 per cent interest in the Alberta Fidelity Trust which, in turn, is another company fitting into this trust and loan field to which I have referred.

Mr. HORNER (*Acadia*): In other words, you encourage trust and loan companies rather than finance companies? I do not know whether it is a worth-while business and whether or not it lends support to your charter. In my opinion it does not.

● (11: 20 a.m.)

Let us go back to the fact that you and your associates will own 50 per cent of the proposed capital of this bank, which is already in trust. Am I right in saying that you make your headquarters in Toronto?

Mr. STEVENS: Me personally? Yes.

Mr. HORNER (*Acadia*): Why should I as a westerner believe that all of a sudden, because you have formed another company and want a charter, you are going to direct your interests to western Canada when until recently, when you bought the 30 per cent in Alberta Fidelity, they were solely directed in and around Ontario?

Mr. STEVENS: Perhaps the best way to answer you is by mentioning Alberta Fidelity. We have predominant control interest in Alberta Fidelity. Mr. Bodie would confirm I think today—and he is President of the company—that we in no way interfere with the operations of Alberta Fidelity in Edmonton. If they wish to make a loan to someone or carry on their day to day business we do not interfere at all. Their business is managed in Edmonton and the only contact we have is in directorship in that two of our people sit on the board of Alberta Fidelity. They in turn pass on whatever comes before them at board meetings. The effective running of Alberta Fidelity Trust, however, is in Edmonton.

Mr. HORNER (*Acadia*): I noticed in the Senate committee two years ago, Mr. Stevens, you stated in your opening remarks that you would be a permanent director of the proposed bank. You did not state that this morning.

Mr. STEVENS: I hope to be.

Mr. HORNER (*Acadia*): A permanent director?

Mr. STEVENS: Yes.

Mr. HORNER (*Acadia*): I gather from that statement that you hope to be a permanent director for life.

Mr. LAMBERT: As opposed to a provisional director.

Mr. HORNER (*Acadia*): We are still supposed to assume that, giving you 50 per cent to start with, you will begin to divest your interest in the company?

Mr. STEVENS: Yes. As I said, the proposed amendment to the Bank Act introduced in the last parliament is quite acceptable to us. We feel it is necessary, in order to have control of this type of situation, to place effective control in somebody's hands initially.

Mr. HORNER (*Acadia*): How would the proposed amendments to the Bank Act force you to divest? Could you not overcome them by backing three or four other companies as you have already said British International has backed Wellington? Could you not then divest other companies unknown to the Minister?

Mr. STEVENS: If you were to do that you would certainly not be abiding by the intent of the amendments as they were proposed in the last parliament. As far as our group is concerned, we certainly would not do it.

Mr. HORNER (*Acadia*): I would like to believe you, but I have a very sceptical view of finance companies and trust companies too; I think they have shown in the past that there are plenty of ways to get around the intent of the act.

Mr. STEVENS: I would like to assure you without any hesitation that on this question of control, one or more of our existing banks—

Mr. GRÉGOIRE: Which one?

Mr. STEVENS: One or more of our existing banks is certainly more tightly controlled today than our bank will be in relation to shareholders. In practice the executive of a bank has little problem through proxies.

Mr. GRÉGOIRE: Which one?

Mr. STEVENS: Any one, if you wish. The executive of a bank has little difficulty in obtaining proxies or some such support from shareholders to make sure that their control is carried on from year to year. I feel that the actual shareholdings are perhaps not as important as you would ordinarily think.

Mr. HORNER (*Acadia*): I notice in this Bill you state that you shall have a \$25 million capital stock, yet you have only \$13 million in trust and you had \$13 million back in 1964. Have you made any effort to acquire the other \$12 million?

Mr. STEVENS: No, generally when one forms a new company one asks for an authorized capital greater than one intends to issue to save going back to ask for more.

Mr. HORNER (*Acadia*): In the last Bill you stated the capital stock was \$10 million.

Mr. STEVENS: In the first Bill it was \$10 million and in the second Bill it was \$25 million. In the third Bill the \$25 million was repeated.

Mr. HORNER (*Acadia*): I missed the second Bill.

Mr. STEVENS: We are now up to the third Bill.

Mr. HORNER (*Acadia*): I gather from your comments this morning that you intend to open offices in Calgary, Edmonton, Regina and Vancouver and to have your head office in Winnipeg.

Mr. COYNE: And in other places as well.

Mr. HORNER (*Acadia*): You did not really state that in your remarks.

Mr. COYNE: I thought you said I did.

Mr. HORNER (*Acadia*): You stated Regina, Calgary, Edmonton and Vancouver.

Mr. COYNE: I suppose I could think of some more names.

Mr. HORNER (*Acadia*): I am sure you could. Can you give the committee some idea of the proposed number of branches your bank intends to start out with, say inside two or three years or four or five years.

Mr. COYNE: I think a great deal will depend on how the first one or two branches succeed. We will start in Winnipeg with our head office. That requires a considerable staff, of course, and banking facilities. We may open more branches in Winnipeg before going anywhere else. I think a great deal will have to be determined in the future by the board and management of the bank once it has been established.

I would contemplate—and I am not trying to evade your question—that as soon as we found we were getting as good a reception as we hope for we would start plans to put branches into the other western provinces. Again, we would have to start with one or two towns in each province. The next step beyond that, depending again on how well the initial branches succeed, would be to go into smaller towns. I do not think it would make sense for a new bank of this sort to start in very small towns. There are 1,600 towns in Canada in which there is only one branch bank; it would not be practical for us to go into those areas, certainly not in the early stages.

Mr. HORNER (*Acadia*): Do you intend to build up your banking business by deposits from the general public?

Mr. COYNE: Yes.

Mr. HORNER (*Acadia*): And with connections with a few large companies such as trust companies or loan companies?

Mr. COYNE: No, we expect to depend entirely on the deposits of the general public. We will have some connections with trust companies, as do the other banks. In western Canada all our people are already associated with two local trust companies, the one in Winnipeg, the Fort Garry Trust, and the one in Edmonton and Calgary, the Alberta Fidelity. I would expect those would be the trust companies with which we would have closest contacts, but we would not for instance contemplate lending money to them or have them lend money to the bank. It would be just a normal business relationship.

Mr. HORNER (*Acadia*): With regard to your vision of western Canada and the tremendous potential there, and the need for a western oriented bank, which this would be in my view to start with in any event, what industry or what segments of the economy out there do you feel your bank will be able to move into immediately?

Mr. COYNE: I do not know.

Mr. HORNER (*Acadia*): You have not made any studies of it?

Mr. COYNE: No. I would like to think we could do some financing in almost any field of industry that showed prospects of success in western Canada. You are not speaking of farming or some particular industry?

Mr. HORNER (*Acadia*): No, I am just throwing it open to you to tell me. You are going to start a bank and you feel there is a great need. I am asking you in what industries you feel the need is most urgent.

● (11: 30 a.m.)

Mr. COYNE: I think there is a great deal of room. There are many banks and many branches, but I think there is room for rather more than all your banks concentrated in just a few institutions. I would like to see half a dozen or a dozen banks in western Canada.

Mr. HORNER (*Acadia*): I am wholeheartedly in support of your view that there should be more banks, and I am wholeheartedly in support of your view that there should be more banks in western Canada, but I find this bank is controlled in Toronto and I am questioning you on what ideas you have for western Canada, and I find you can give me none. So I go back to my statement

that it appears your interests are not in western Canada; it appears you are using this idea of a bank for western Canada to obtain a charter for a bank. If I am wrong, I want you to correct me.

Mr. COYNE: I will correct you. If you mean we are interested in getting a charter and operating a bank in some part of Canada other than western Canada, that simply is not so. This proposal is to establish a bank which is based in western Canada, which has its mass in western Canada, its staff, personnel and operations in western Canada. I certainly hope—but this will perhaps not be until I have passed from the scene—that it could one day grow into a national bank. That would depend on many factors.

Mr. HORNER (*Acadia*): You stated that this was a regional bank. I remember when the Imperial Bank and the Bank of Commerce merged. I think it was those two banks, but it could have been the Toronto-Dominion, I am not sure now. Their argument was that they complemented one another; on very few occasions did their branches overlap, and they went well together. Now you are setting up a regional bank. I think something like 60 per cent of one of the other major bank's business is in Ontario alone. Do you see any feasible merger in the years ahead, bearing in mind the reasons for which the Toronto and Dominion merged in years gone by?

Mr. COYNE: No, I do not contemplate that at all.

Mr. HORNER (*Acadia*): You stated in your earlier remarks that there was room for many more banks in Canada. What were your views at the time of the mergers of the Imperial Bank and the Bank of Commerce and the Toronto and Dominion banks?

Mr. COYNE: In the case of the Toronto-Dominion, I was in the Bank of Canada at the time as, I think, Deputy Governor although it may have been in another position. Naturally, it was the Governor who expressed any view that may have been expressed on that occasion. In the case of the other merger, I was not consulted.

Mr. HORNER (*Acadia*): You were not consulted in regard to the Imperial Bank and the Bank of Commerce merger?

Mr. COYNE: That is right. I was not consulted nor was I informed.

Mr. HORNER (*Acadia*): But you did have some views in regard to the merger of the Toronto Bank and the Dominion Bank?

Mr. COYNE: I may have had views on all these things, but it was not my business to give advice on that merger.

Mr. HORNER (*Acadia*): I will pass.

Mr. STEVENS: On this question of the type of business we do in western Canada, may I say that while we do not propose to hold ourselves out as an oil bank or as a grain bank or something like that, we would carry on an active banking business through those four western provinces with whoever will deal with us. The point I should mention is that the United States controlled bank, the Mercantile Bank, has expanded into Winnipeg and Alberta. They tell us they are very pleased with the business they have found waiting for them in Manitoba and Alberta; and we feel likewise that there is good business to be done in those provinces.

Mr. LEWIS: Mr. Stevens, permit me to make a short statement before I put a question.

I am not very concerned about your statements with regard to control not because I do not believe them—I am sure you mean them as you state them now—but because I have no doubt at all that whether or not you, a certain group, control the bank today or tomorrow, eventually a group will control it, as is the case with every other such corporation. I suspect that eventually your group will control it because you are on the ground floor. So your protestations about the control leave me a little cold.

Having made it clear to you that whatever words you may use I am darned sure your group will control this bank, may I ask you this. Can you tell me what kind of distribution of shares there is among the 5,000 or so people who now own the shares to the value of about \$6 million?

Mr. STEVENS: Yes.

Mr. LEWIS: The large number of 5,000 sounds very impressive and I would like a breakdown.

Mr. STEVENS: There are 1,261 persons in the province of Manitoba who own 137,320 certificates which will be represented in shares. There are 456 people in the Province of Saskatchewan who own 23,565 certificates. There are 1,065 residents of Alberta who own 56,270 certificates. And there are 1,362 residents of British Columbia and the Territories who own 66,580 certificates. That subtotal is one I think I gave earlier, which is 283,735 shares which are owned by 4,145 persons.

In Ontario we have 750 people owning 128,135 certificates. In Quebec, we have 104 people owning 10,655 certificates, and in the Atlantic provinces we have 198 people owning 7,475 certificates. That I believe totals 430,000 certificates in the hands of 5,197 Canadians.

Mr. COYNE: Mr. Chairman, I wonder if I may just add a comment which is not in answer to the question at all.

You have before you in this application, I think, the situation that for the first time a group has come to parliament with a list of shareholders and with capital subscribed before getting their charter, except of course in the cases of the two foreign banks which were wholly owned by their parents. This widespread distribution and this fairly large sum of money is some evidence, I think, of the work which Mr. Stevens has done in seeking to prepare in advance an indication to parliament of the fact that a large number of people are prepared to support a new bank and want to support a new bank in Canada. It has never been done before so far as I know. All the others obtained their charters first and then, if they could, obtained their capital afterwards, which was a very easy proposition. If you had your charter today you could get your capital without any trouble; to get it in advance is more difficult.

Mr. LEWIS: You have people who say they will take the shares if you obtain the charter.

Mr. MORE (*Regina City*): Of the 750 persons in Ontario, is Wellington the only one of your companies that has shares?

Mr. LEWIS: I gather these figures apply to humans.

Mr. STEVENS: These are individual holdings in the bank directly. The Wellington block will be an additional block to the figures I have given to you.

Mr. LEWIS: These are persons with a bottom to kick and a heart to feel!

Mr. STEVENS: As far as I know, Mr. Lewis, the largest holder in the breakdown I have given you is the Great West Life, which has 33,000 certificates and would be included in the Manitoba breakdown. I say that in that breakdown there could be other people who own shares of whom we are not aware.

Mr. LEWIS: Then I am wrong about that. How about the 750 in Ontario?

Mr. STEVENS: They are quite representative of small holdings. To the best of my knowledge there is no large holding in the Ontario block.

Mr. LEWIS: Just out of sheer curiosity may I ask this question? You said in February there were two meetings and you had unanimous consent for extending the holdings for another year. Where were the meetings held?

Mr. STEVENS: The first meeting which dealt with the trust deed certificates—the 430,000—was held in Winnipeg on February 9.

Mr. LEWIS: Did it have the 5,000-odd people there?

Mr. STEVENS: The Canada Permanent Trust Company, who is the trustee, wrote to each of the certificate holders and advised them that it was proposed to extend the agreement by one year, which was mentioned in the original prospectus. They asked the certificate holders to attend the meeting. It was run not like an annual meeting but something similar in that the certificate holders were made aware of the proposal and asked to attend personally or give their proxy. I think there were about 50 or 60 people who attended personally and the proxy was with respect to about half the total holding. Of the number of shares voted, as I say, 100 per cent voted in favour of extending the agreement.

Mr. LEWIS: I am always amused by corporation spokesmen talking about these meetings of thousands of people. I want the record to show that there were 50 or 60 people present.

Mr. LAMBERT: Just like union meetings!

● (11:40 a.m.)

Mr. LEWIS: Has Mr. Lambert ever been to a union meeting in order to ascertain what proportion was there?

The CHAIRMAN: Order, please. This may be a subject which will be referred to us at some future date. However, it is not before the committee at the present time.

Mr. LEWIS: That will not stop Mr. Lambert from showing his prejudices, nor me either.

Mr. LAMBERT: Mr. Chairman, I am just trying to restore a balance to this.

Mr. LEWIS: Mr. Stevens, may I ask you about the second meeting.

Mr. STEVENS: Yes. The second meeting was held by Wellington because the agreement there was with respect to Wellington financial shares. That was held in Toronto, and the same procedure was followed.

The trustee holders in reference to the Wellington proposal were asked to attend the meeting in person or by proxy in respect of the proposal to extend for one year. I might mention that there was a 98 per cent vote in favour of it.

There were 2 per cent who said they would like their money back. I understand what they meant by that was that they had not in any way lost interest in the idea of a new bank but they were discouraged by the fact we had waited two years and still did not have a charter. They felt it could go on another year and they would still not have a charter. In the meantime, they felt they should have their money back. But, the tone of the meeting was substantially in favour of extending the deadline by one year.

Mr. LEWIS: I suppose you or Mr. Coyne, or both of you, chose western Canada for your operations, at least to start with, because, quite frankly, you were interested in making a success and a profit out of the business, and that is the area where you thought you could do best in present day Canada, where there is perhaps less competition. Is that the reason you have chosen that area?

Mr. COYNE: If I could answer your question, Mr. Lewis, in my own view I thought there would be the widest public response in respect of that area.

Mr. LEWIS: Yes, the opportunity for success would be greatest. You thought there would be a need for more capital outlets, as it were, and if you concentrated on the western area you would have appeal to the western people and make a success of it.

Mr. COYNE: Yes.

Mr. LEWIS: There are one or two points that I would like to discuss with you, Mr. Coyne, which are of a general nature.

You say there is need for more banks in Canada. Is that because the existing banks are not equipped to meet the monetary and credit requirements of the country?

Mr. COYNE: If I have said there is need for more banks I will have to explain it further. I tried to say there is room for more banks and it is desirable that there should be more. Undoubtedly, the existing banks are providing financial facilities far and wide throughout the country. There are eight of them. If there was only one I suppose it could provide just as many branch offices as if there were eight. And, if there were 30 there might be the same total number of branches. My view on this general question is that it is desirable to have more centres of decision, more head offices, more decentralization of decisions and of initiatives in this field and in a good many other fields as well.

Mr. LEWIS: What would be the limit in that respect? I am questioning this very seriously as a citizen. What would be the limit? Suppose this parliament and this committee had before it 25 applications for the incorporation of banks. When you say there is room for more banks are you saying there are now only eight banks and, therefore, Canada can do with a few more, or are you suggesting that this parliament, this committee, the Department of Finance, the Bank of Canada should not care how many banks are set up?

Mr. COYNE: I do not think as a mere abstract theory you can set any limit. I cannot see how one can set any arbitrary limit. I do not suppose you ever will have 25 applications before you at any one time. My own view, which is not directly germane to our application, on this general question is I would allow almost any respectable sort of person who could raise capital and who was being adequately supervised by the public authorities to start a bank or any other worth-while business.

Mr. LEWIS: I am not saying this, Mr. Coyne, to raise any doubts about the institution you propose, but when was the last time that a bank in Canada failed?

Mr. COYNE: It was in 1923.

Mr. LEWIS: And, that was the Home Bank?

Mr. COYNE: Yes.

Mr. LEWIS: And, have there not been many more failures than that in the United States since then?

Mr. COYNE: Undoubtedly.

Mr. LEWIS: Would you not say the number of failures in the United States was somewhat related to the huge number of banks in that country?

Mr. COYNE: Yes.

Mr. LEWIS: Then I repeat my question. Is there not a danger in extending the right to just anyone, to any respectable person, of course, because I assume any one who requests a charter is likely to be respectable.

Mr. COYNE: Yes.

Mr. LEWIS: You think that this right should be given to any respectable person?

Mr. COYNE: There may be more danger of this under private auspices than under public auspices, but there is no danger of depositors losing any money and, in any event, it could be covered by some form of deposit insurance such as they have in the United States. But, I think the provision for inspection by the Federal Government ought to be such that the depositors are protected, and then, so far as the shareholders are concerned, that would depend on a number of factors, on the quality of the management, on sheer accident or good fortune. But, that is why people become shareholders, to take their risks in respect of profits or losses.

Mr. LEWIS: I was more concerned with the depositors than the shareholders. I know the shareholders take the risk, and that is their business. But, do you agree that deposit insurance would be a good thing for Canada?

Mr. COYNE: Oh yes, undoubtedly; I have been of that opinion for a long time. I am not referring to just banks but all deposit making institutions.

The CHAIRMAN: Members of the committee, I would like to remind you that we are dealing with the specific bill to incorporate a specific bank.

Mr. LEWIS: I thought I was dealing with that very thing because the first point Mr. Stevens raised was: Is there room for more banks? I want to know exactly what that statement means and how far this committee or parliament should go.

The CHAIRMAN: But, Mr. Lewis, this committee may have to decide first whether there is room for this bank.

Mr. LEWIS: I am prepared to say, assuming that their associates are as respectable as Mr. Stevens and Mr. Coyne appear to be, that there may be room for this bank, but that does not answer my general question, which concerns me very much.

Mr. COYNE: Of course, you have to make a start. I would hate to think that you may refuse to start one because you do not know how many applications you may get from subsequent applicants.

Mr. LEWIS: Nor would I. Now, my final question: A large number of other financial institutions have done banking business and are doing banking business, are they not?

● (11: 50 a.m.)

Mr. COYNE: Well, a semi-banking business called near banks. The Porter commission called them banking institutions but I do not think the chartered banks like that description very much.

Mr. LEWIS: Well, the fact is that they do give checking privileges.

Mr. COYNE: Yes. A trust company and certain other companies, not loan companies or mortgage companies, have deposit accounts with checking privileges.

Mr. LEWIS: And, is the business of these near banks very considerable in western Canada, and is it growing?

Mr. COYNE: Undoubtedly it is growing, but I doubt whether there has been as much development as in Ontario. I am not too familiar with the eastern part of the country, but I think probably Ontario has had a bigger development of that sort than any other part of Canada.

Mr. LEWIS: With regard to this idea of there being room for more banks should one take into account the operations of these near banks as well?

Mr. COYNE: Well, they are not banks; they are under a different statute and they do not have the powers, some of the facilities or recourse of banks as such.

Mr. LEWIS: What would they lack, not as far as the problem we would be concerned with, namely the size of the over-all lending or deposit institutions, but what would the near banks lack that banks have.

Mr. COYNE: Before dealing with that, if it is germane, may I say that I am not suggesting there is a lack of facilities in western Canada or anywhere else; all I am saying is that it is right people who want to add to these facilities on competitive basis should be encouraged to do so.

Mr. LEWIS: Well, I am seeking certain information from you as a man with a great deal of banking experience. If the country is being served and served well and adequately why is it that some of you want to get into a business which you feel is profitable, not from the social point of view? Is it necessary for me as a member of the Canadian Parliament to support an application for a new bank? What will Canada get out of it—and I am not saying this in any personal sense—as distinct from Mr. Stevens and his associates.

Mr. COYNE: I do not say that banking is much different from other forms of businesses; of course, it has its own characteristics. But, my feeling is that it is a good thing to have fairly open access on the part of any person in Canada to any line of economic endeavour he wants to go into, and over the long run this will be good for the economy of the country as a whole by livening it up and bringing in new ideas and initiatives, as well as helping to decentralize decisions instead of taking everything right from the one place.

Mr. GRÉGOIRE: Mr. Chairman, I have a supplementary question.

The CHAIRMAN: Mr. Grégoire, I think it would be unfair to others if I allowed you to put your supplementary question at this time.

Mr. LEWIS: As I say, I think there is a use for a bank only if it can assist to develop and expand the economy of a country and thereby assist the people of the country. I am not the slightest bit interested in giving anyone an opportunity to make profits.

Mr. COYNE: But, the more people you give the opportunity to the more you will tend to reduce the profits.

Mr. LEWIS: That remains to be seen; subject to arrangements, agreements, collusion, mergers, subject to all this which takes place daily if your statement is right.

Mr. COYNE: I do not see any necessity for any new banks to enter into collusive agreement, and I understand in the draft of the Bank Act there was a provision to prevent or outlaw that. All I am saying is that it is a good thing to have more enterprises rather than fewer in any given line of activity and how it serves a social purpose by giving people as wide a choice as possible—and, I am referring to the customers—and giving the producers, the management groups, the opportunity to enter into this line of business.

Mr. LEWIS: Do you contemplate opening your lending facilities in directions which other banks subject to the law have not opened, or are you simply taking some of the business now done by other banks that you hope will come to you, or new business that would be coming to you?

Mr. COYNE: That is right. In respect of new directions, of course, the bank can go into any type of lending they wish with one or two exceptions in the Bank Act, so there is not much scope to go into something entirely new. But, the proportions in which we go into these things may be different from the other banks, and we may lend to a man that the other banks would not. However, I hope we do not do that too often. Certainly we will be lending to a man who wishes to do business with us by his own free choice rather than do business with another bank.

The CHAIRMAN: If I may interrupt, gentlemen, it is almost noon and we have been sitting almost continuously since shortly after 9.30 a.m. Perhaps we might pause for a moment and have some discussion with regard to our procedure for the remainder of the day. First of all, do you wish to continue sitting past the noon hour? I, as your Chairman, do not object to this.

Mr. HORNER (*Acadia*): I think we should stop at noon, Mr. Chairman.

The CHAIRMAN: Next, we should consider whether we contemplate sitting this afternoon in view of the fact that we have witnesses here and there are many members who have not had the opportunity to put questions to them.

As you know, the report of this committee to seek permission to sit while the House is sitting has been tabled to today, and if it is the general wish—and I do not find it necessary to ask for a motion in this regard—to continue while the House is sitting I will continue with this motion in the House at 2.30 today.

Mr. MACDONALD (*Rosedale*): Mr. Chairman, I would like an opportunity to ask some questions of the witnesses and I am sure there are others who wish to do likewise. It seems to me, Mr. Chairman, you have been allowing the members from that side of the room to put questions and, as a result, we have not had an

opportunity of doing so. But, I think there would be a general disposition of the members throughout the House, in view of the fact that these witnesses are here, to allow the committee to sit later on today.

Mr. MONTEITH: That is, with the exception of the hon. member from Hull.

Mr. CLERMONT: Mr. Chairman, I am sure he will accept on a special request.

Mr. GRÉGOIRE: Mr. Chairman, because of the matters which are being discussed before the House at this time I, personally, would not favour sitting today while the House is sitting. I do not think it would be a good idea to bring this motion during the estimates. However, I do understand the circumstances.

Mr. MORE (*Regina City*): Mr. Chairman, Mr. Grégoire has had an opportunity of putting his questions, and if he wants to sit in the House this afternoon he may do so.

Mr. GRÉGOIRE: But, Mr. Chairman, I would like to be here in order to listen to the further questions put and answers made by remaining members who have not had the opportunity up until now.

Mr. LEWIS: Mr. Chairman, the discussion on the estimates is apt to go on for a long time yet and if we do not sit while the House is sitting it may be some time before we dispose of this bill.

Mr. GRÉGOIRE: I agree that there is a difficulty in that connection.

● (11:57 a.m.)

The CHAIRMAN: I would like to invite other brief comments.

Mr. MONTEITH: I think we should try to meet this afternoon.

Mr. COATES: I think we should meet if we get the permission to do so. What we are doing is talking about a hypothetical situation.

The CHAIRMAN: It is my intention, having received the general point of view of the committee—which I agree is not completely unanimous—to seek to proceed with the motion in the House when the House convenes. If the motion is received, I would ask the members to return at 3.30 p.m. or after Orders of the Day. There is one final point on which we should decide right now. Do we wish to continue in the afternoon?

Mr. MONTEITH: I have not been to my office yet.

There is one more question I would like to ask. Are we going to have Mr. Elderkin?

The CHAIRMAN: Mr. Elderkin has been kind enough to be here throughout the morning and is prepared to be with us as soon as we have completed the questioning of the gentlemen who are before us.

Mr. MONTEITH: I have one further question. I would like to go into it in some detail eventually. What is the makeup of British International Finance, the Wellington Financial Corporation and the York Trust, and how are they correlated? I wonder if the witnesses could develop some sort of chart that might assist us.

Mr. MACDONALD (*Rosedale*): Do the witnesses have a copy of the 1964 report?

Mr. STEVENS: I have only one copy.

Mr. MACDONALD (*Rosedale*): Is that the most recent one?

Mr. STEVENS: Yes.

Mr. MONTEITH: Could we have a photo copy of this?

The CHAIRMAN: I will ask the clerk to consult with the parliamentary agent to see if copies could be made for the next sitting.

I suggest therefore that this committee stand adjourned either until after the Orders of the Day or until another date which might be acceptable if our motion in the House is not accepted.

The meeting is adjourned.

AFTERNOON SITTING

● (4:15 p.m.)

The CHAIRMAN: Gentlemen, I see a quorum, so today's session of this committee is now resumed.

At the luncheon adjournment I believe the next person I had noted to recognize was Mr. Laflamme.

Mr. LAFLAMME: I would just like to ask a few questions of Mr. Stevens and Mr. Coyne.

I would like to know if all the shares of this proposed bank are sold in advance.

Mr. STEVENS: The total authorized capital for the proposed bank is \$25 million. If one divides that by \$10 par, that is $2\frac{1}{2}$ million possible shares. We intend to issue initially slightly under \$13 million including the premium, which is \$5; therefore we intend to issue initially something over 8,000 shares out of the total of $2\frac{1}{2}$ million shares. Of the number we intend to issue initially, all are in effect spoken for in that cash is either in trust or has been committed by the companies and groups to which we referred this morning.

Mr. LAFLAMME: Is there any maximum amount of shares that could be held by a single person or individual?

Mr. STEVENS: There is not under the present bill or under the present Bank Act.

The CHAIRMAN: I will next recognize Mr. Monteith.

Mr. MONTEITH: Mr. Chairman, at the moment I have just a few unrelated questions to ask. At some later stage I would like to go into holdings other than the individual holdings which have been outlined earlier, but I would like to ask a question now which arises from Mr. Stevens' evidence of this morning. He made the statement that the Bank of Canada's statistical summary shows the net current operating earnings for the eight banks at an increase of 25 per cent in two years. I presume that statement was made to show that there really is room for another bank.

Mr. STEVENS: That is right.

Mr. MONTEITH: Why were there so many sponsors in the first bill and only the qualifying number of sponsors in the last one?

Mr. STEVENS: I hope I am not speaking out of turn when I say that this was largely a mechanical problem. Initially, when we had our 100 petitioners the clerical staff in Ottawa said there were a fair number of problems in getting all the names and addresses correct and in order. When we did it the second time we had nearly 100 names again in the second bill and, again they were aghast and asked if it was really necessary to show all these names each time. On the third run we felt perhaps it was unnecessary, and that is why we came down to the minimum of five. However, substantially all the people shown in the initial bill are still in the picture. As far as I know certainly a majority of them are holders of certificates and will be shareholders of the bank.

Mr. MONTEITH: Your first bill in 1964 stated there would be \$10 million capitalization. I think the 1964 evidence indicated that you at that time had \$12 million to \$13 million sold. What did you propose to do? Had you ever any intention of recapitalizing at \$25 million?

Mr. STEVENS: The original capital was to be \$10 million of \$10 par. We are now issuing the shares at a \$15 price with \$5 going into reserve.

Mr. MONTEITH: During the questions by Mr. McLean this morning Mr. Coyne said he did not know of an instance where the inner reserves had been published. This is now done in the United States, is it not?

Mr. COYNE: You mean by the public authorities or by the banks themselves?

Mr. MONTEITH: By the banks.

Mr. COYNE: I am not sure. It may be that some banks do and some do not.

Mr. MONTEITH: I do not say it is common, but I think it is done in some instances.

Mr. COYNE: I think probably it is done, yes.

Mr. MONTEITH: On the eight per cent deposit with the Bank of Canada there is no interest allowed, is there?

Mr. COYNE: That is right.

Mr. MONTEITH: If there is an over amount, is interest allowed on that overage?

Mr. COYNE: No.

Mr. MONTEITH: No matter what the amount is, there is no interest?

Mr. COYNE: I would support any movement to have interest paid.

Mr. MONTEITH: It sounds reasonable.

Did I understand both of you gentlemen to say that you are willing to live with the present Bank Act as it is or with any amendments that may come forth when it is reviewed?

Mr. COYNE: Both, yes.

Mr. MONTEITH: Even if the powers of the near banks were widened considerably?

Mr. COYNE: Yes.

Mr. MONTEITH: There is one question which I have not been able to straighten out in my mind. Mr. Leboe was asking some questions on this subject this morning, and it is something I have never understood although it is probably very elementary. How does more money get into circulation?

Mr. COYNE: I am at the disposition of the committee, Mr. Monteith.

Mr. MONTEITH: Is this a very long story?

Mr. COYNE: No, I do not suppose so, but if everyone wants to pursue that question it can take quite a long time. It has taken a long time on previous occasions.

The CHAIRMAN: Since I have interrupted other members who have wanted to extend the area of discussion, I think I should do so here.

Mr. LEBOE: On a point of order, Mr. Chairman, I do not think you can rule out Mr. Monteith's question. When we are dealing with a charter of a bank we are dealing with everything a bank does and everything a bank anticipates doing under law. I do not think for one moment this committee can be short-changed in any way. If Mr. Monteith does not want to pursue the question, that is quite a different matter, but I do not think we can put ourselves in a box by saying we cannot pursue a question similar to the one asked by Mr. Monteith in connection with banking. This is an occasion when a charter for a bank is being requested. It covers everything that is in the act and everything the bank does or hopes to do. I think this question should be allowed.

Mr. HORNER (*Acadia*): On this point of order, Mr. Chairman I think this question is perfectly in order. We are here discussing banking in Canada and the application for a charter for another bank in Canada, and I think this question comes within those perimeters. How much money is in circulation? Would more banks create more money in circulation? Those questions are well within the perimeters of this discussion. I would like a brief definition of it, along with Mr. Monteith.

The CHAIRMAN: I have not ruled Mr. Monteith's question out of order. I used the Chair's prerogative to suggest to him that if the question was wandering farther afield it might not come within the proper business of this committee at this time. Therefore, while I do not think it is necessary to produce any ruling on the question or order at this moment, I would like to say that the committee may not say we are discussing banking in Canada generally but, at the very widest, banking in Canada as it is reflected by the incorporation of this bank.

As I said before, whilst it is not my intention to limit the discussion, I think the committee will agree that the range of the discussion, even when touching on very important topics such as this, should attempt to link this discussion with the actual bill before us.

Mr. MONTEITH: I wonder if Mr. Coyne could give us a reasonably brief explanation. We are neophytes in this game. Can he explain whether this bank will create more money which will go into circulation?

The CHAIRMAN: You are referring to this bank for which application for a charter is being made?

Mr. MONTEITH: Yes.

● (4:25 p.m.)

Mr. COYNE: I think the answer to that is that the creation of a new bank will not add to the volume of money nor will it add to the total volume of bank deposits which I presume is what you are calling money. It may affect the distribution of them. Some of those deposits may be with this bank instead of

with other banks. We must also assume that the total volume of deposits will grow, because it does every year, rain or shine, some years more than others. Therefore, to the extent that this bank acquires deposits, it may mean that other banks do not grow quite as much as they might have done without this bank; it does not mean they would be decreased.

Mr. MONTEITH: Is it possible that you will obtain business that would not have gone through any other bank?

Mr. COYNE: That is possible, yes.

Mr. MONTEITH: Perhaps someone has had it in a sock!

Mr. COYNE: That is one way, but I was thinking of business in a different connection. If someone comes to us to make a deposit, so far as we are concerned it is money that existed either in cash already in circulation or as a deposit they previously had in another bank. We send it to the Bank of Canada and they debit the other bank and send it to us.

Mr. MONTEITH: I will not pursue that but I will reserve it for a later date because it is a question I would like to have answered.

I do not think I have any more questions until we get to the chart showing the tie-up of various companies, and then I would like to get back into the discussion.

The CHAIRMAN: The next member on my list is Mr. Macdonald.

Mr. MACDONALD (*Rosedale*): There is one point I want to clarify, and that is in respect of the participation of 2,000 persons through Wellington Financial.

Do I understand that they have deposited funds contingent upon the issue of the charter, and that when the charter is issued they will get shares not of the bank but of Wellington Financial?

Mr. STEVENS: That is correct.

Mr. MACDONALD (*Rosedale*): Is British International Finance one of those 2,000 persons?

Mr. STEVENS: Yes.

Mr. MACDONALD (*Rosedale*): Can you say what the relative effect will be of that operation from the standpoint of British International Finance's current 60 per cent control of Wellington?

Mr. STEVENS: Yes. When the Bank of Western Canada becomes a reality and the shares are issued, it will mean that the control or the 60 per cent block to which you have referred falls below 50 per cent in relation to Wellington Financial.

Mr. MACDONALD (*Rosedale*): Let me refer to your remarks of this morning with regard to the attitudes of the chartered banks now in existence. You referred to Mr. McLaughlin's remarks and particularly his welcome to new banks with "equal rights, privileges and obligations to all." I am reading from something you referred to this morning. Have you run into any obstruction or difficulty from the other chartered banks with respect to obtaining personnel?

Mr. STEVENS: Do you mean with respect to our existing operations and trust companies?

Mr. MACDONALD (*Rosedale*): I meant specifically with regard to the initial formation of the banking group.

Mr. STEVENS: No, but in saying that I would have to say also that I do not think we are at that point at which there would be any opposition. Purposely we have not gone in and tried to win away any personnel from an existing bank because it would put them in a very embarrassing spot.

Mr. MACDONALD (*Rosedale*): What about York Trust? Have you had any friction with any banks in regard to employees engaged in York Trust?

Mr. STEVENS: No. While generally speaking any institution does not like to lose a good employee, they accept the fact that people do change their employment. If they prefer to work with us, there seems to be no strenuous objection. We have had some rather amusing incidents where people have come in and said they are going to be employed with us, and then the bank offers them a new position with a salary increase, and everyone ends up happy. The bank is happy and the employee is happy, but I guess we are not too happy because we have lost a man we thought was a good fellow.

Mr. MACDONALD (*Rosedale*): Have you had preliminary discussions with the Canadian Bankers' Association?

Mr. COYNE: No.

Mr. MACDONALD (*Rosedale*): You have had no discussion about clearing rights or clearing agreements?

Mr. COYNE: No, but that would be premature; obviously we cannot presume on that. Of course, under the Bank Act every chartered bank is automatically a member of the Canadian Bankers' Association.

Mr. MACDONALD (*Rosedale*): You mean under the Canadian Bankers' Association Act?

Mr. COYNE: No, under the Association itself. Perhaps you are right; perhaps it is under the Act. However, it does follow under law.

Mr. MACDONALD (*Rosedale*): Have you had discussions with any representatives of chartered banks with respect to entering into agreements in regard to service charges, personnel, or anything?

Mr. COYNE: No.

Mr. MACDONALD (*Rosedale*): Is it a fact that chartered banks have agreements among themselves or through the Association to accept rates or establish policy of personnel?

Mr. COYNE: I do not have much direct knowledge of that and will not have until two or three months have elapsed.

Mr. MACDONALD (*Rosedale*): Is that a completely foreign concept to your ears?

Mr. COYNE: No. There was an interesting development there though. We hear a lot nowadays about how subsidiaries in Canada of United States companies are required by United States law to do things that otherwise they might not do, mainly because they are Canadians. I believe it has been said that when the Mercantile Bank came under the ownership of a United States bank they declared that they could not, because of United States law, become a party to any agreement under Canadian acts.

Mr. MACDONALD (*Rosedale*): The Sherman act extends to services as well?

Mr. COYNE: Yes.

Mr. MACDONALD (*Rosedale*): In that connection do you foresee in the early days of the bank the establishment of an agency in New York or any other city, such as the chartered banks have now?

Mr. COYNE: You mean outside Canada?

Mr. MACDONALD (*Rosedale*): Yes, I mean outside Canada.

Mr. COYNE: We might have to have one in New York and possibly one in London, but not right away even for foreign exchange dealings. I believe there is adequate provision for foreign exchange dealings in Canada. The dealings in the foreign exchange market are largely in Montreal and Toronto, and the dealings in government securities are largely in Montreal and Toronto. Therefore we would have to have an office in Montreal and Toronto, and probably in Ottawa for the government securities.

Mr. MACDONALD (*Rosedale*): To carry on effective banking business you would not require a New York agency?

Mr. COYNE: I will take that under advisement. I do not know enough about it to answer now, but we will find out when we come into the foreign exchange field and service to exporters, and things like that.

● (4:35 p.m.)

Mr. MACDONALD (*Rosedale*): Just as a matter of interest, in any such planning which you have carried forward to this date have you had associated with you any personnel with actual chartered bank experience as opposed to your own and central banking experience?

Mr. COYNE: Yes, we have, but I would not want to give you names or to go into the details or anything of this sort at the present time.

Mr. MACDONALD (*Rosedale*): At page 378 of the Porter Commission report there is this statement:

Thus, in our view the federal banking legislation must cover all private financial institutions issuing banking liabilities; that is, claims which serve as means of payment or close substitutes for them. With certain exceptions to be noted below, it should cover those financial intermediaries issuing claims which may be transferred immediately or on short notice by cheques or on customers' orders.

Probably this question would be more appropriately directed to Mr. Stevens. Mr. Stevens would you regard York Trust as being included in those two sentences?

Mr. STEVENS: Yes.

Mr. MACDONALD (*Rosedale*): What view would you take as the spokesman for related institutions of the incorporation of York Trust and others under the banking legislation?

Mr. STEVENS: I think at the time that the proposal was first raised we went on record as saying we would be interested in applying for such licensing, if I am using the correct word, to allow us to become part of the general banking fibre of the nation.

Mr. MACDONALD (*Rosedale*): Have you taken legal opinions as to the possibility of extending federal jurisdiction over—

The CHAIRMAN: If I may interrupt, Mr. Macdonald, I think in all fairness to other members whom I have interrupted when they have gone in a way which I considered a bit too far afield from the subject matter of the bill that perhaps I should extend the same stricture to yourself?

Mr. MACDONALD (*Rosedale*): Well, Mr. Chairman, it seems to me we have a bank to be incorporated under the Bank Act and it is relevant to the future of this company to know whether it is going to be directly under the same legislation as the other companies in the corporate group.

Mr. COYNE: If I may say something at this stage, the Porter Commission suggested that all companies performing banking functions should be subject to federal legislation, and I agree with that. But, they also contemplate there would be more chartered banks created notwithstanding the fact that other institutions would also have banking powers. Members of the government, as well as others, seem to be in favour of the general idea that there ought to be more chartered banks created. But, the other matter of bringing non-banks under federal jurisdiction has been opposed by some of the non-banks and rejected by the government in the drafting of the Bank Act revisions. From our point of view it is pretty academic.

Mr. MACDONALD (*Rosedale*): You have intimated that it is a matter of indifference to you whether or not York Trust comes in under the federal legislation.

Mr. COYNE: We certainly have no objection to it.

Mr. MACDONALD (*Rosedale*): Have you taken any legal opinions as to the validity of extending federal legislation to a provincial loan company?

Mr. COYNE: That is getting into our own private affairs and I would rather not answer that question, if you do not mind.

Mr. STEVENS: We are not that far advanced.

Mr. MACDONALD (*Rosedale*): As a graduate member of very rare vintage from Osgoode Hall, have you formed your own personal opinion in respect of this matter?

Mr. STEVENS: No.

Mr. MACDONALD (*Rosedale*): Do you have any views with regard to competition in the Canadian chartered banking field vis-à-vis the American banks and, more particularly, in connection with their earnings on invested capital.

The CHAIRMAN: Mr. Macdonald, I wonder—and, I am in the hands of the committee—if we are not getting into a matter which we will have an opportunity to discuss in greater detail when the amendments to the Bank Act are discussed. Perhaps these gentlemen may want to come back and visit us at that time.

Mr. MACDONALD (*Rosedale*): Surely we are getting into the question of whether or not the addition of another chartered bank will be valuable from the point of competition in the Canadian banking field, and I think this is fundamental.

The CHAIRMAN: Then, will you phrase your question in a way which shows some link to the order of reference.

Mr. MACDONALD (*Rosedale*): In your consideration of launching an application for a Canadian chartered bank had you considered the competitive

character of the other Canadian chartered banks by way of comparison with, say, United States institutions through earnings on investment capital?

Mr. STEVENS: Yes, and I think some of the members of the committee may have noticed that I made a speech for the Society of Analysts in Toronto when I touched on that general subject. I would not want to emphasize it although I think it is fair to say that our type of banking system is a relatively costly system and that if you do compare it with certain American banking institutions, which I think are comparable, for instance, the Bank of America, which is an extensive branch banking concern, you will find that the overhead—and I am referring to the overhead in most banking concerns—is mainly made up of salaries of executives and more junior personnel. You will find that the overhead of Canadian banks is somewhat higher than comparable American banks, and this has a necessary result on the net earnings of the Canadian banks.

Mr. MACDONALD (*Rosedale*): Do you feel that you will be able to plan in such a way that you will be able to lower salary overhead, on a percentage basis, to a greater degree than your competitors. Is this one of the things that motivated you?

Mr. STEVENS: We feel that to some degree it is not necessary to branch in the same sense that the Canadian banks have been prone to do, and to some degree we could have branches which would have a few more senior personnel in them; they would be larger in scope, and in that way the cost of the branch in reference to the total volume of business which the branch is performing would be lower than you would generally find certainly in the smaller Canadian bank branches.

Mr. MACDONALD (*Rosedale*): And, as I observed, you remarked at the time that the Canadian bank gross money spread was in approximately the 3½ per cent range.

Mr. STEVENS: Yes.

Mr. MACDONALD (*Rosedale*): Do you feel with the lower overhead you could reduce that spread and, therefore, operate at a lower cost?

Mr. STEVENS: We feel there is some room there to minimize costs and, consequently, either pay higher earnings or pay more for your money.

Mr. MACDONALD (*Rosedale*): And, it was for this reason you felt you could live with a 6 per cent ceiling.

● (4:45 p.m.)

Mr. STEVENS: In dealing with the 6 per cent ceiling, the newspapers referred to the fact that I said I did not feel it was necessary to raise the 6 per cent ceiling; but what I actually said was that the 6 per cent ceiling in the present Bank Act, as the Bank Act is now interpreted, is something that we can live with. But, I would put stress on the fact, as now interpreted, in that in several ways the existing banks do charge an effective rate of interest higher than 6 per cent, the most notable of which are consumer loans, where the figure is something over 11 per cent in some cases.

Mr. MORE (*Regina City*): You will be engaging in that business as well.

Mr. STEVENS: Yes.

Mr. MACDONALD (*Rosedale*): I have some questions in respect of foreign ownership but I will hold these until we reach clause 5.

The CHAIRMAN: Yes, there will be an opportunity at that time for discussion and questioning with regard to that point. I understand the principal witnesses and their parliamentary agent will be here for clause by clause discussion.

I now will recognize Mr. Lambert.

Mr. LAMBERT: Mr. Chairman, I would like to follow the discussions initiated by Mr. Macdonald and others with respect to competition and so on, and I am wondering, Mr. Stevens, about your observation that some of the American banks may have somewhat of a lower overhead; in other words, that the overhead costs per se, loaned dollar, or whatever index you want to use, would be lower, and that this is attributable to their higher volume of business.

I also put it to you that some of the chartered banks—and I think this would be one if it was in business—would also come to recognize that a part of the service of a chartered bank is a public service and because of competition they feel they must branch out. We have evidence here of the number of branches that have been opened since the end of the war. Perhaps we might interpret your remarks as you saying: “we will work where there is a lot of cream and leave the skim milk to the others”; in other words there is a certain reluctance on your part to work in the vineyard under the noon day sun. Perhaps a lot of the chartered banks would like to operate in other ways but because it gives public service this is part of the cost of doing business as a chartered bank. I know this is a problem that you will not face, to start with.

In regard to competition I was interested in going back to some of the quotations you gave, particularly from the Porter Report. I found that the interpretation of the word “competition” was somewhat selective, not meaning necessarily competition between chartered banks. May I take the one particularly referred to at page 563 where, under a competitive banking system we see that the commission referred to trust, loan and other companies coming under the banking legislation to compete for commercial and personal lending business. I quote:

We have, however, recommended that all banking institutions be required to maintain uniform cash reserve ratios against their short-term liabilities, the ratio being lower against genuine notice claims than against demand obligations.

Also, reference has been made to the banks being permitted to enter the mortgage field, all this making for competition, to which they refer, and not excluding more chartered banking. But, I would not give it that rather exclusive meaning that you tended to give it in your citations. Mr. McLaughlin's message comes through loud and clear in respect of lifting the ceiling, and so on. Now, dealing with competition and the need for additional banking facilities in western Canada, do you maintain that this is a regional bank and that your funds will be raised by deposit or that a proportion of the funds will be raised by deposits from where you operate? I am subject to correction but it seems to me that western Canada is a deficiency area in regard to capital. Now, if that is so, then the deposits that the Bank of Western Canada would gather unto itself would be either at the expense of other banks or of the trustee loan companies which are proliferating across western Canada at the present time, including your own affiliated companies. Therefore, it does not provide additional credit

facilities for people in western Canada. It may provide some option but nothing additional unless your flow of funds are from eastern Canada into western Canada. Is it envisaged you will be able to tap sources of funds in eastern Canada in order to put them into western Canada to give additional credit facilities.

Mr. STEVENS: Generally speaking, I think what you say is quite correct in that if we are going to depend on deposit business in western Canada that deposit business has to come from some deposit taking institution at the present time, and in that sense it is a re-arrangement as to who holds the money.

When we speak about competition—and I hope I do not create any other impression—we speak much in the context of the Porter Commission, and that is competition in the true sense, with no private agreements or no rate structures being observed, and competition among all institutions who are qualified to compete. This would result in the possibility, if not the probability, of, firstly, some funds from the east and, secondly, our bank in Winnipeg which, in turn, would be routing funds from the east into that area of western Canada. I can give you what I regard as an interesting example of what happens when banks break their agreement. When we raised our money in the Bank of Western Canada over two years ago the trustee in consultation with the provisional directors decided to put the money with only chartered banks in Canada. The money has been with these chartered banks exclusively since we received it.

Now, initially, the agreement among the banks was that, for example, on a 30 day placement of these funds they would pay you $4\frac{1}{4}$ per cent. Now this, you will find, was uniformly observed, and with regard to all the banks in Canada you would find the exact same $4\frac{1}{4}$ per cent. After the Porter Commission Report came out and especially when the Bank Act was under consideration last year, we found that the Mercantile Bank of Canada and the two French banks, the Provincial Bank and the Canadian National, started to break its rate agreement. I spoke to one of the officers of the Canadian National Bank and asked him if they were doing it deliberately and he said they were doing it in the sense that they felt they were getting into the competitive field. As a result, you find that today the money we have out is still held in trust but on deposit with these chartered banks. You will note that the high point got up to 5.97 per cent, and this in spite of the fact that certain of the banks are still observing the rate agreement and are quoting $4\frac{1}{4}$ per cent on the same money.

Mr. LAMBERT: I do not know which charter bank is still adhering to that agreement but I was going to refer to this. Is there not any rationalization in that they are competing with the major trust companies who are prepared to give one quarter of one per cent. They will meet any offer of any chartered bank because with this kind of money, this kind of short-term or medium-term money, they can turn around and they have no limit on the interest rate they can charge.

Mr. STEVENS: But, they have the limit of the market place.

Mr. LAMBERT: Yes, but this is competition.

Mr. COYNE: But, they can only make approved investments under the act under which they operate; they can only make first mortgage investments. They cannot make second mortgage investments, so there is an effective limit.

● (4:55 p.m.)

Mr. LAMBERT: Granted, but it is fairly competitive.

Mr. COYNE: May I just say also that in point of fact we have seen, during the last twelve months, a situation in which the banks quite frequently outbid the trust companies for short-term money and the banks increased their deposits of this character, the term deposits and corporation deposits bearing interest by very large amounts, \$700 or \$800 million in 1965.

Mr. LAMBERT: Thank goodness there is competition.

Mr. COYNE: They were protesting that they could not afford to do it but they did do it. The banks have many advantages which the trust companies do not have.

Mr. LAMBERT: Still, as to the source of funds, one of the almost exclusive avenues that the Bank of Western Canada would have of raising funds in eastern Canada for use in western Canada is actually obtaining some of these term deposits.

Mr. COYNE: I myself do not see that as a probability on any large scale. There may well be something that has to be worked out in the future. The banks themselves may say that they lend money in western Canada more than they take in there; they have never given a breakdown of their deposits or loans geographically. My impression is quite the contrary. I am quite sure in my own mind that the provinces, other than Ontario and Quebec, provide sums for bank loans in Ontario and Quebec. It is true that these other areas are deficient capital areas even more so than Ontario and Quebec but they do not get that capital in the form of bank loans, as far as I understand the situation; they get it through the capital market, through mining companies, paper companies and elevator companies raising equity capital or debenture capital in the capital market and investing in their undertakings in these other provinces. However, I will be convinced in my own mind, until banks provide evidence to the contrary, that the volume of bank deposits in western Canada is substantially greater than the volume of bank loans in western Canada.

Mr. LAMBERT: I am subject to correction but I know this varies with banks in cities, that certain banks within a city will be known as real saver banks and others will be quite the contrary.

Mr. HORNER (*Acadia*): I wonder whether we could not have the Inspector General comment on that to see whether or not he can add anything to what Mr. Coyne has said with regard to whether or not western Canada is a surplus or a deficit area.

The CHAIRMAN: Mr. Horner, it is my intention to ask the committee to hear Mr. Elderkin as a witness on his own once we complete our questioning of these two witnesses before us now.

Mr. LAMBERT: I have two questions left. On March 18, 1964, when this application was first before the Senate committee, Mr. Elderkin indicated that at that time there were almost 6,500 branches in Canada, which was almost double the number that there was at the end of 1945, and that there was roughly one branch office for every 3,300 persons in the country. This was a far greater number than the corresponding figure for either the United States or the United Kingdom. Does this not take into account in the province of Alberta a peculiar institution which exists there known as the treasury branches which

are nothing but undisguised branch services carrying on every activity of a chartered bank? Is it felt that there is a deficiency of banking services on the prairies?

Mr. STEVENS: Are you relating banking services to branches?

Mr. LAMBERT: To the treasury branches. I will not mention credit unions and loan companies which are offering limited bank shares.

Mr. STEVENS: We are not suggesting that. We are saying we can see no good reason why the expansion should be restricted to the existing chartered banks, and there have been, as I mentioned, 277 branches brought into existence in 1963.

The CHAIRMAN: Before we proceed to the next member on my list perhaps it might be convenient to break for a moment and take up the question of our proceedings for the balance of the day. We had Mr. Elderkin, the Inspector of Banks, with us throughout the day, and I see it is 5 o'clock. I do not know if it is the usual procedure to ask officials to stay on past what might be considered to be the usual hour for these officials. Perhaps this should be taken under consideration. Secondly, we may want to consider whether we want to sit this evening, and I thought it would be a convenient moment to invite some expression of opinion.

Mr. MONTEITH: Mr. Chairman, actually it is not vital that I be here but I would like to be here because I am interested. It certainly seems to me that we are not going to get on to a discussion of the various companies that make up the group that are really instigating this bank. Unfortunately I cannot be here this evening. I can sit here until 6 o'clock or very shortly afterwards. However, that is my own personal position.

The CHAIRMAN: I will say this. I have on my list for the first round—and there may be others who have not given me an indication of their wish to speak—Messrs. Stafford, Comtois, Coates, Clermont, Basford and More. It may appear unlikely that we will complete our questioning of the principal witnesses, the protagonists of the bill, by six o'clock. It may even be unlikely we will complete our questioning if we proceed this evening. What I am driving at is that it is unlikely we will get into a clause by clause discussion of the bill today in any event. If that is the case, the committee may feel that in so far as the Inspector of Banks is concerned, unless he wants to remain to hear the discussion so as to permit him to answer questions more easily when his turn comes, that aspect may not be reached in any event.

Mr. MONTEITH: I think it might be suggested to Mr. Elderkin that he does not have to stay unless he feels like it because we will not get to him today.

The CHAIRMAN: He has not been summoned here by officials of this committee so he is permitted to use his own judgment on whether or not it will assist him to hear the balance of this discussion.

Mr. MONTEITH: Another thing we might bring up at this moment is whether we should consider having any officials of the Bankers Association before us, or are they going to be notified? I believe that at the time of the Senate hearings they were notified that the Senate would be happy to hear them but I do not think there was any response, if I recall correctly. Am I right?

Mr. COYNE: That is right.

Mr. MONTIETH: I wonder if they should at least be given the opportunity.

The CHAIRMAN: A representative of The Canadian Bankers Association was in the audience as an observer this morning. I had a word with him as a courtesy and he did not indicate to me any interest in having anyone appear, but I think we could state that obviously anyone in that capacity would be welcome.

Mr. BASFORD: The bankers are free enterprisers; they believe in more competition.

Mr. COATES: There are some pretty important estimates before the House, and I may say that I did not know that this committee was going to meet this afternoon. I came into the House shortly after the question period had started and I was not informed that the committee was meeting. There are estimates before the House know in which I am interested so I hope we will not be sitting tonight.

The CHAIRMAN: I am in the hands of the committee.

Mr. MONTEITH: Why not sit here and see how far we get by six o'clock?

The CHAIRMAN: The only reason I raised this question is that our permission to sit while the House is sitting is only for today, and if it comes to the question of scheduling our further meetings, say our next meeting which could be on Thursday, we could only meet from some point in the morning until the House sits at which time we will have to ask for further permission.

● (5:05 p.m.)

Mr. MONTEITH: I think that would be a good time for a fresh start on the chart of the various companies and deal with that at that time, or at least start with that.

The CHAIRMAN: Let us proceed until six o'clock and we will see what happens at that time.

I think Mr. Lambert is coming back; he was checking on the progress of work in the House.

Mr. LAMBERT: I think it would be chancy to schedule anything for the evening.

The CHAIRMAN: Let us resume our questioning and we will determine the next sitting at six o'clock.

Mr. STAFFORD: I just want to ask Mr. Stevens if he or any one of his group had any substantial interest in any consumer finance companies.

Mr. STEVENS: We have a company called Simcoe. There are actually three companies but they operate together. There is Scarboro and Simcoe. This is a consumer finance company which acts almost completely as a supplemental activity to our main activities which are the trust and loan activities which have been referred to. By supplemental I mean that they do not have branches themselves and they are not dealing with the public in that sense, but we have people who will say that they want a personal loan and, as Mr. Coyne has mentioned, we, as a trust company, cannot make an unsecured loan to a person. We therefore refer to the consumer finance company in our group. However, outside of that we have no contact with consumer finance companies. I would point out that the rates that we charge are deliberately set by us at the same level as those charged by the chartered banks. In other words, we use the same

procedure in charging that they do. The total amount we would have out in consumer finance credit in our entire group would be approximately a million dollars at the present time, and our total assets are about \$135 million.

Mr. STAFFORD: You still loan money out the same as other finance companies do on automobiles, furniture and so on?

Mr. STEVENS: I would prefer to say, because of our rate structure, the same as other banks in the sense that we charge the same rates that, say, the Bank of Nova Scotia charges, if you want a parallel.

Mr. STAFFORD: But not the ordinary bank interest. You mean an interest of about 12 per cent?

Mr. STEVENS: That is right; it works out to something over 11 per cent.

Mr. MACDONALD (*Rosedale*): Is Scarboro Finance registered under the Small Loans Act?

Mr. STEVENS: No.

Mr. STAFFORD: Would there not be a slight conflict of interest there, that is a finance company of that particular type having also an interest in a bank?

Mr. STEVENS: I would think that it is unlikely that there would be a direct conflict of interests.

Mr. STAFFORD: Do you not find that as you are dealing with an operation on such a large scale it is a disadvantage to commence in such a limited and regional way as you intend to do?

Mr. STEVENS: When we say regional I think the point should be made that in effect any bank is regional when it begins. We want our head office in Winnipeg, as has been stated. We feel that we can branch out throughout western Canada, but we are not saying that we would not, at some future date, have branches right across Canada. What we are saying is that you have to decide to start some place and that it would be inadvisable, in all likelihood, to propose to have branches from Halifax right through to Vancouver. From an administrative standpoint it would create problems which would be unnecessary.

Mr. STAFFORD: I have a couple of more questions, going back to the fact that you said that two per cent of the holders wanted to sell their certificates or turn them in. This morning you started off by saying they purchased them for \$14.50. If they can be sold on the open market for \$16.50 why would anyone want to turn them in for \$14.50?

Mr. STEVENS: We were talking about two things: the reference to the \$14.50 related to the fact that the regional Bank of Western Canada certificates were sold for \$15 and subsequently they sold around \$16. At a meeting of those holders we received their unanimous approval for the extension. The two per cent dissension was when the Wellington trustee holders were asked to extend for a further year and two per cent of those people said they preferred to have their money back.

Mr. MORE: Was their investment in Wellington?

Mr. STEVENS: Yes.

Mr. COATES: I have two questions. The first one I would like to direct to Mr. Coyne because it is one that has given me some concern and I would like to have his views on it. I have mentioned this in the House as well. We have, or

are about to have, the Bank Act before us and amendments to it. I wonder if we are not putting the cart before the horse in considering this bill now even though it has already been before the House, when, in a very short while, we are going to consider the Bank Act and policies relating to banking generally. We are then going to know just exactly what the definite policy is with regard to banking and the proliferation of banking institutions in the country. I would like to know whether you believe that it might be better to have this bill considered after we have studied the amendments to the Bank Act and if there would not be some advantage to us as members of parliament to have the Bank Act before us before a decision is made on whether or not another banking institution should be established in their country.

Mr. COYNE: That is a matter we have considered. Our feeling on the point of principle was that we did not see any conflict or any reason why an application for a charter under the existing Bank Act should be held up until the new Bank Act is passed. You might also say that all the other banks are going to have their charters expire but in the meantime they are going on with their operations under the old act. We think we could be set up and get our operations started under the old act. No suggestion has been made anywhere about possible changes in the Bank Act causing us any embarrassment. This question came up in our inquiry in the Senate. That was two years ago and still there is no revision of the Bank Act. We do not feel we should have to wait much longer if we are going to have this bank at all, and it is really pretty hard on our shareholders to have to exist in this state of suspense.

By way of a precedent, the same question was raised at the time of the application for the Mercantile Bank Charter in 1953 and Mr. Graham Towers, amongst others, said he saw no point in waiting for that reason. He could not see why the charter should wait for a revision of the Bank Act, and if amendments were made, the bank would have to live with them, so the Mercantile Bank was given its charter in 1953. I would hope that this committee would be willing, in view of all the circumstances and the long time we have waited for this, to try and go ahead with it now.

Mr. COATES: While I appreciate your answer and the reason you gave, the thing that concerns me, and I am sure concerns other members sitting on this committee and members in the House—for it is the House which decides whether or not you should be allowed to set up your banking institution—is whether you think that this committee can be fully appreciative of all the aspects of what is to transpire when we do not know exactly what is going to be incorporated in the way of amendments to the Bank Act. We have heard mentioned here today on numerous occasions the Porter Report and the recommendations contained in it. We have heard a good deal of discussion about the 6 percent interest ceiling, but we are not in a position to know whether or not the government is going to propose these things be done or whether or not parliament in fact is going to approve the recommendations for amendments to the Bank Act when the Bank Act in fact is approved. In the light of this do you still feel that the committee should be considering this bill at the present time?

Mr. COYNE: If you ask for my opinion I would say yes, I do, because, for one thing, I have not heard any suggestion from any quarter that the Bank Act

should be revised in such a way as to discourage the incorporation of more banks. If anything, the talk from all quarters has been that there is a desire to encourage incorporations.

● (5:15 p.m.)

Mr. COATES: My next question, Mr. Stevens, relates to your statements with regard to the 277 new branches. What I would like to know is the difference there will be in banking in this country if your charter is granted in view of the fact that, as you state, the present eight banking institutions seem to be moving in the areas that need new branch banking institutions. What value is there in Parliament approving another charter?

Mr. STEVENS: I think that has possibly been partly answered, in our discussion Mr. Coates, especially touching on what Mr. Lambert had to say in the question he put to me.

We feel that the one advantage will be that a competitive financial system is generally good for the country. Where you have true competition, where there are no agreements or understandings, or those kinds of arrangements, you have a more competitive system; and I think the Porter Commission is advocating a true competitive system for the country. One of the things that will contribute to that type of financial system is more participants in the banking field in that at the present time the three largest banks dominate the entire industry and have about 70 per cent of the total assets of the system.

We are suggesting that they in their own way are providing a good service. Surely, however, that does not mean that the service should be restricted one can almost say to three with regard to 70 per cent of the system, but certainly to eight banks for 100 per cent of the system.

It is interesting to note that the life insurance industry, for example, is one in which I think Canada has a world-wide good reputation as to solidity and the type of companies we operate. In this instance there have been new life companies formed and put into operation since the end of the war. I think I have the figures here on that with regard to the federal companies.

At the end of the war there were 28 life companies that are known as Canadian companies in the sense that they are under federal jurisdiction. In 1964 there were 39 such companies. In other words, 11 new companies have been created and are in operation. We feel that this is good. It is not that there will be any radical departure through the incorporation of the Bank of Western Canada; it is just that we feel a trend should be encouraged to create more banks in Canada and that nine banks would be better than eight. The question was raised this morning, "Where do you stop?" That is difficult to say. Certainly I would say there is no reason why there could not be 15 banks in Canada.

Mr. COATES: I believe you made some statement to the effect that the three major banks have held about 70 per cent of the nation's business for some great number of years.

Mr. STEVENS: For 40 years.

Mr. COATES: Just what effect do you feel your bank will have on the percentages? This is really pretty important because if you are not going to have any effect on it, what value is there in Parliament setting up more banks?

Mr. STEVENS: We certainly could not anticipate having any drastic effect, such as that figure suddenly falling to 60 per cent; but I think what we can suggest is that the incorporation of our bank will create a trend. I would hope it would probably trigger the incorporation of further banks. In fact, the two applications that were proposed give an indication that if it is shown it is possible to form new banks in Canada there will probably be more banks applied for. This trend will be good. If it should change say 5 per cent of the total banking system, in that the new bank will end up with collectively 5 per cent of the system, I think we will find we have a better system.

The fact that we are able to get tenders and I think the gentlemen at that end of the table are aware of this fact—from the two French banks and the Mercantile Bank at a better level than some of the other banks, I think is good; it shows the market place is in operation.

Mr. COATES: Another thing that concerns me is that in recent years there has been a trend towards some of the smaller banks—and they are quite substantial, a good deal more substantial than yours is at this time—have found it necessary to merge in order to stay in business in a competitive way, and yet we are being asked now to approve another charter which may very well lead to your deciding in a very few years that you have to negotiate a merger.

Mr. COYNE: I do not think the recent mergers were imposed by necessity, because the banks could exist in competition. I do not know what were the precise reasons or motivations, but there was no indication at the time that the Toronto or Dominion Bank could not continue to operate.

Mr. COATES: But they felt they could better survive in competition by merging, otherwise they would not have merged.

Mr. COYNE: We do not know why they wanted to merge or what were the views of the directors. They may have felt they would make more money if they merged.

Mr. COATES: I am sure that would be the incentive.

Mr. COYNE: Some may have got tired of carrying on the business themselves and wanted some other fellow to carry on for them. There could be a lot of reasons other than sheer necessity.

● (5:20 p.m.)

Mr. STEVENS: It certainly was not unanimous in the opinion of the directors.

There is another thing, Mr. Coates. Our banking system in Canada since the war has changed drastically, and this has been speeded up in the last ten years to a great degree. It is a system today because it is a more retail banking system as opposed to a wholesale banking system that can successfully have smaller banks participating.

The CHAIRMAN: Le prochain sur ma liste est Monsieur Comtois.

Mr. COMTOIS: I have a question for Mr. Stevens.

Mr. Stevens, you stated this morning that there were over 5,000 persons who actually control a block of 430,000 shares. There is another block of shares that you control, and as I can see they are the majority. You control the majority of shares in the second block. How many persons does that second block represent?

Mr. STEVENS: What might be helpful, Mr. Comtois, is a chart that has been prepared. At this morning's session it was suggested we might prepare some

kind of chart to show how these companies fit together. In the luncheon adjournment we made photostats of a chart which is taken out of the centre page of our British International Annual Report for 1964. If the Chairman wishes, we can circulate these charts now and with the aid of those charts I think I can describe just how these companies fit together.

The CHAIRMAN: I think this will be a convenient time to have the charts distributed, and I will ask the clerk to assist in that operation.

Mr. MONTEITH: It occurs to me that we may be some little time on that. I would just suggest for your consideration the possibility of clearing up any general questions first and then starting on this topic on Thursday morning.

The CHAIRMAN: The procedure we have been following today has been to call on members to ask questions on any general aspect they wished to discuss in the order in which their names appeared on the list. I do not think we are proceeding by way of topics. We have come to this topic now because Mr. Comtois wished to raise it.

Mr. COMTOIS: My question was how many persons are represented by those companies. My question was as to the effective control of those companies. Are there ten or 100 or 500, disregarding the number of companies? How many persons control those companies?

Mr. STEVENS: I think the charts have been distributed now and if I may refer to them I would point out that the relative companies are those on the left hand side of the page. Starting at the top we have British International Finance. That is the central company in our group, and the group assets that are now combined under that company are approximately \$130 million to \$135 million. The \$90 million that we show here is at the end of the last year, 1964. Starting from that point, we have two arms that have some relevance to the Bank of Western Canada; one is the Wellington Financial Corporation of which we are shown here as owning 62 per cent and which, as Mr. Macdonald mentioned, will become less than a 51 per cent controlled company when further shares are issued in Wellington to give effect to the participation in the Bank of Western Canada. That is one arm.

The second arm is Canadian Finance Investments. Here again we have a company which is, as you can see, 40 per cent controlled. The 40 per cent to which we refer there is a voting control. As far as equity is concerned, we hold a comparatively small amount of the actual equity of Canadian Finance. The bulk of the money in Canadian Finance is held by the 2,600 people that I mentioned this morning.

Just to try to bring it into perspective, those two arms in turn will own 17 per cent and 32 of the Bank of Western Canada. That added up is 49 per cent. York Trust, which I mentioned earlier, is shown in a lower line. That will own \$495,000, which I think is about three percent.

If you add up those you come to approximately 50 per cent to 51 per cent—

Mr. HORNER (*Acadia*): Absolute control.

Mr. STEVENS: As I say, you come to approximately 50 to 51 per cent of the Bank of Western Canada.

The other companies that were mentioned today are, for example, the Fort Garry Trust Company, which is shown immediately under Canadian Finance.

That is controlled by Canadian Finance. Alberta Fidelity should now be added as we consummated that deal in 1965, and that should be shown under Canadian Finance. That is a 30 per cent ownership. The York Trust Company, which is also referred to, and The Lambton Loan you will see on the bottom line as having a 52 per cent ownership and a 51 per cent ownership. Those in turn are held by the Wellington Financial Corporation.

Mr. COMTOIS: You cannot give us the number of persons in British International Finance actually controlling that one?

● (5:30 p.m.)

Mr. STEVENS: Yes. I wanted to give that understructure. Let me now come up to British International. There are two classes of shares in British International, one being Class "A" shares which are listed on the Toronto Exchange and are entitled to one vote per share, the other class being common shares, which are entitled to ten votes per share and which are more tightly held. Now, the total number of shares out at the end of 1964 in those two categories were 460,538, class A shares; I am speaking about British International here. The common shares outstanding were 76,905. The number of people that hold those two classes were 1,419.

Mr. BASFORD: Is that class A?

Mr. STEVENS: And common.

Mr. COMTOIS: Both.

Mr. LAFLAMME: Were they of American or Canadian citizenship?

Mr. STEVENS: I see we have eight shareholders listed as holding 2,000 shares who are non-resident in Canada, and I cannot tell you who that block is.

Mr. COMTOIS: Do you mean 2,000 shares each or altogether?

Mr. STEVENS: No, as a whole.

Mr. McLEAN (*Charlotte*): How much of that 2,000 is common?

Mr. STEVENS: I can check that. There are none.

Mr. McLEAN (*Charlotte*): They are all class A.

Mr. STEVENS: All class A. Of course, that is out of the total that I have given you, which is 460,000 some odd plus 76,000.

Mr. McLEAN (*Charlotte*): But that 76,000 is multiplied by 10.

Mr. MORE (*Regina City*): How many common are there?

Mr. STEVENS: I would estimate about 30 to 40. Now, if you like, I can give you quickly the breakdown of the major holders of the common. The first is Bansco and Company, the nominee for the Bank of Nova Scotia and when I say nominee I do not want to suggest it is the Bank of Nova Scotia, but the bank is holding the shares on someone's behalf. There are 3,086 registered in that name.

Mr. COMTOIS: And, that is all common?

Mr. STEVENS: Yes. There are 2,250 registered in the name of Mary Ann Hassard, and 1,200 in the name of Mary Charlebois. I would mention that Mrs. Charlebois is my mother-in-law.

Mr. HORNER (*Acadia*): Well, you might as well.

Mr. LEBOE: How many shares was that?

Mr. STEVENS: It was 1,200.

Mr. MONTEITH: And, those are all common you are listing?

Mr. STEVENS: Yes, I am referring to common here, in that the class A are very widely held; I do not think there are any significant blocks. Now, Peter Charlebois holds 1,050 and, again, he is a relative, a brother-in-law of mine.

The CHAIRMAN: Mr. Stevens, to assist the committee would you tell us from what document you are quoting.

Mr. STEVENS: Yes. This is a list of these common shareholders which was given at the Senate hearings and it appears in the proceedings of the Senate standing committee on Banking and Commerce, Wednesday, May 6, 1964, at page 102. What I am doing is making any necessary changes to bring it up to date. Then, there is Phil Charlebois, and he is listed as having 1,807. He is my father-in-law.

Mr. McLEAN (*Charlotte*): How many did you say he had?

Mr. STEVENS: He has 1,807. I am only stating the ones with 1,000 or more. Then, there is Gill Construction, which has 4,074.

Mr. COATES: They have increased their investment.

Mr. STEVENS: Yes, by almost 1,800.

Mr. LEBOE: Do you have any interest in that company?

Mr. STEVENS: Yes, I have approximately a 27 per cent interest in that company.

Mr. MONTEITH: Do the Charlebois have any interest in that company?

Mr. STEVENS: No, they do not. Inverness Investments have 9,375 shares.

Mr. COATES: Do you have an interest in that company?

Mr. STEVENS: I have about a 30 per cent interest and, again, it is not effective. There are two others with 30 per cent interests.

Mr. HORNER (*Acadia*): No brothers-in-law.

Mr. STEVENS: No.

Mr. MONTEITH: Do Mr. Mollard or Mr. Bell have any investment in Inverness?

Mr. STEVENS: No. The next is Jamelynn Holdings, and it has 7,500. That is the personal holding company of a Mr. James Houston in Toronto, and he has no other connection with the group other than this holding. Macron Holdings should be deleted. That was a company which I had, I think you would say, effective control of but they no longer have this block of company stock. My wife, Noreen Stevens, has 5,250 of these common shares and I myself have registered in my name 7,400.

Mr. HORNER (*Acadia*): That is an increase?

Mr. STEVENS: Yes. Stevens Securities has registered 19,020.

Mr. COATES: There is effective control there?

Mr. STEVENS: Effective control in the family. A company called Dice Holdings is registered with 7,500 shares, and that is a holding company of W.E.N. Bell. Incidentally, Dice comes from the first initials of his four boys, so it has no significance. There are two other entries: Philip B. MacDonald, executive vice-president of British International, has 3,333 shares, and Torbay, which is the nominee company for the Toronto-Dominion Bank, has 2,000 shares registered. I am not sure who they hold those for, and like the Bank of Nova Scotia

holding, the Bansco one, I can only tell you it has nothing to do with me personally or, to the best of my knowledge, with all the other people who have been mentioned.

Mr. COMTOIS: Those are all the questions I have for Mr. Stevens. I have another question for Mr. Coyne. Do you believe, sir, that if under the new Bank Act the near banks move into the banking business there will be still room for more banks?

Mr. COYNE: Yes. Of course, we do not know to what extent they will move into the banking business if the federal government makes it possible. Most of them are under provincial charters and the provincial governments may not give them the authority to go into these activities. But, even if they did the near banks, all put together, are comparatively small compared to the banking system, and I would think there still would be room for real chartered banks in the future—and, when I say that, I am referring to new ones.

Mr. COMTOIS: I have another question for Mr. Stevens. You mentioned this morning that there were 104 persons from the province of Quebec who are shareholders. Are there any French Canadians represented in that group or is there any French Canadian group or company in that figure of 104?

Mr. STEVENS: I am sorry but I cannot tell you that because I just do not know. This could be checked and I can file that information with the Chairman, if you would like it. I could mention that my in-laws certainly are French.

Mr. COMTOIS: Is your mother-in-law from Quebec?

Mr. STEVENS: No, from Penetanguishene but they originated in the 1600's from Quebec.

Mr. COYNE: But, there are French Canadians in western Canada who are shareholders of the bank and several at least signed the original petition; they were in the group of 100.

Mr. COMTOIS: I have a further question. It was stated in some areas that some branches of actual banks operated at a deficit. Do you not think that some of these branches will close because of the new competition and by doing so this will deprive some citizens of essential services in certain areas.

Mr. COYNE: I must say I think that some branch banks should be closed from time to time. Banks have closed branches and at least a few are doing it every year. There was a period from 1930 to 1943 when the banks closed 1,000 branches in Canada.

I do not share the view that the banks open branches as a form of public service or out of a sense of duty but only for strict business reasons, including the reason mentioned by Mr. Lambert, for competitive purposes. A particular branch may not make money but they think by having it there this will enable the bank as a whole to make more money. I think it is possible and desirable from time to time that some branch banks should be closed and others should be opened.

Mr. COMTOIS: So you think the banks are only there to make money?

Mr. COYNE: Yes.

Mr. COMTOIS: And, not to render a public service to the citizens of the country.

● (5:40 p.m.)

Mr. COYNE: They are to do that for a remuneration. Unless a bank operates with a view to making money, the directors are guilty of breach of trust.

Mr. LAFLAMME: But at the same time do you not think that they should be giving some service to the population as a whole?

Mr. COYNE: In the same sense that the railways should, the grain elevator companies should and the manufacturers and others, no doubt, should.

Mr. HORNER (*Acadia*): We hope you will do a better job than the C.P.!

I wonder if I might just speak on a point of order so it can be considered between now and the next meeting. I think you have done a wonderful job as Chairman but I want you to consider the fact of supplementary questions. I have a number of them and I know you will rule me out of order so I am not going to raise them now, but I want you to consider this method which you have followed in the committee. I have no real objections to it, you have been really fair with me, but the question as supplementary questions and the order when they should come up should be considered by you, Mr. Chairman. I think the committee proceedings would go along in a more interesting way if you would allow supplementary questions.

Mr. CLERMONT: Mr. Chairman, on a point of order, at the next meeting I hope you will change the order of members who are allowed to ask questions because when you come to the end of the roll there are not many questions left to ask.

The CHAIRMAN: Dealing first with Mr. Horner's suggestion, I will be happy to take that under advisement, and also I will be happy to consider Mr. Clermont's suggestion. Of course, this morning there was some criticism, I gather, made rather facetiously.

Mr. CLERMONT: I do not think anybody is criticizing.

The CHAIRMAN: All I am suggesting is that this morning I had some comments from the other side of the table regarding the order in which I call the names of members wishing to ask questions. Now I have comments on this side of the table so I feel I am taking the middle course.

Mr. COATES: Could you also take under advisement the fact that members of the committee now have had a chance to ask their initial questions which no doubt were on their minds at the start of the meeting—

Mr. MORE: I hope you are speaking for yourself.

Mr. COATES: I will amend that to say that I hope when those members of the committee who have not had an opportunity to question witnesses will have had it, we will fall into the routine of supplementary questions on the other aspects so that there will not be a prolonged questioning by one individual.

The CHAIRMAN: That is a constructive suggestion and I will bear that in mind as well. However, perhaps I should let Mr. More continue with his questions.

Mr. MORE: My colleagues were very kind. I thought he would carry on until six o'clock.

Mr. Chairman, I just have a couple of questions. In the former holdings, Mr. Bell was listed as having 5,000 shares. Is that part of the 7,500 now held by Dice or does he still have the 5,000?

Mr. STEVENS: That interest has gone over to Dice and the only increase there is a stock split. I should also have mentioned that. You may have noticed that certain of the holdings seem to have gone up. The main reason for that is because of the $1\frac{1}{2}$ to 1 stock split.

Mr. MORE: Mr. Mollard is listed as having 750 shares. Is that his complete interest or is he interested in some of the companies named? I understand his holdings are larger than that.

Mr. STEVENS: That was something that came out during the Senate hearings and the sequence was simply this: Senator McCutcheon asked me if I felt I controlled British International Finance. I said I did not. He then said "You plus who?" He also asked me whether I would add Bill Bell, and I said no. We got into a discussion of effective and absolute control and he finally asked "Whom would you suggest should be mentioned?" I mentioned Bill Mollard who did have a holding in Macron Holdings at that time. The reason I mention that was that if Bill and myself voted together it would have been sufficient to control Macron, which in turn would have given us, including Bill Bell's holding, what you would call effective control. However, that was the only reason that Mollard's name got involved.

Mr. MORE: But his holdings are 750 shares?

Mr. STEVENS: In his personal name. He also has a holding of 9 per cent in Gill Construction.

Mr. MORE: I am very interested in Mr. Coyne's statement that you are going to depend to a large extent on deposits. What I heard mentioned in regard to banks was that when they did not have much competition they closed their branches, up to 1955 or around that point. When they got competition they opened branches not for service to the public but to gain deposits. My understanding is that this was the purpose of these small branches, to gain deposits. Do you feel you are going to be effective in gaining deposits if you are going to have only a few large branches at the start?

Mr. COYNE: Yes, I do, but we do not propose to stop there. We have said we do not want to try to go too fast at the first. After we have found that our first group of branches do gain deposits and are successful and we have loans and investments growing and so on, then we will be in a position to open more branches. What I was partly doing was drawing a distinction between what we propose and what the two foreign owned banks which were granted charters in 1929 and 1953 set out to do. They started out with big connections with big companies which could give them various kinds of business, including deposit business of course. What I meant to draw by way of contrast was that we would be going for the deposits of the general public just as, of course, most of our banks do.

Mr. MORE: Can a bank designate an agent to accept deposits on their behalf without opening a branch?

Mr. COYNE: Apparently it is just a use of words, I think. It is a kind of branch but they have certain separate branches or agencies. Sometimes you find a bank's branch or agency is only open for one hour on Wednesday afternoon. There is a travelling cashier who is around. This is probably more common in Quebec than in the rest of the country, but I have seen it in Ontario.

Mr. MORE: I have not seen them in the West.

Mr. COYNE: I am subject to correction on this. Mr. Elderkin would know better than I do. You could have an agent almost anywhere to receive deposits and pass them on to the bank.

Mr. MORE: Personally I have always felt that a combine exists among our banks. They seem to take the same measures and reach the same agreements. It is difficult to change banks. No other bank would accept you if you are doing business with another branch.

Mr. COYNE: That generally happens in periods of strong demands for loans, but in periods of smaller demands for loans the banks are pretty competitive in trying to steal each other's customers.

Mr. LAMBERT: Whenever there is a general assignment of book debts you are not going to get any changes either.

Mr. MORE: You spoke about short-term money. Could you tell me why you got this 5.9 percent, Mr. Stevens? Recently I noticed that the city of Regina got 5.76 percent for short-term money. It seems to be a competitive thing.

Mr. STEVENS: I was giving that as an indication of the fact that the breaking of these agreements is instrumental in having the banks really compete for money.

Mr. MORE: I thought you said it started in Quebec.

Mr. STEVENS: No. The money that we held was originally put out at 4½ percent and you got a uniform price from the banks. Then the Mercantile Bank started to bid higher than 4½ percent. The two French banks followed and started to increase their bids. This annoyed the other banks who said they should not be breaking the agreement. On the other hand I think this is an illustration of what happens if you do get a competitive force into this type of market. Perhaps partly in line with one of the points you are making is that we are not saying that branch banking is bad. What we are saying is that if you have a truly competitive system where banks do not necessarily pay you the same amount for your money or give you exactly the same service, you will find that it is not the branch itself that necessarily dictates where the business will go. On the other hand, the existing banks which are abiding by their agreement and paying a uniform rate on deposits have very few competitive advantages over each other, other than branching. In Toronto, for example, you get the ridiculous position of finding that there are three branches of one chartered bank within a block, and this, we suggest, is not necessary.

● (5:50 p.m.)

Mr. MORE (*Regina City*): You are not going to quarrel with the way they conduct their business!

The CHAIRMAN: Members of the Committee, it is about four minutes to six o'clock and I gather it is the general consensus of the committee that we do not sit this evening. If that is the case, I suggest we adjourn and, subject to other supervening events, meet on Thursday morning.

Mr. BASFORD: Before you adjourn may I say that I have been unusually quiet today. Am I still on your list?

The CHAIRMAN: I want to make it clear there are several members who have not participated in the first round of questioning.

Mr. BASFORD: Before we go further I think I should say that this chart should be appended to today's record, otherwise it will be meaningless.

The CHAIRMAN: I understand the committee is agreed to having this chart printed as an appendix to today's proceedings.

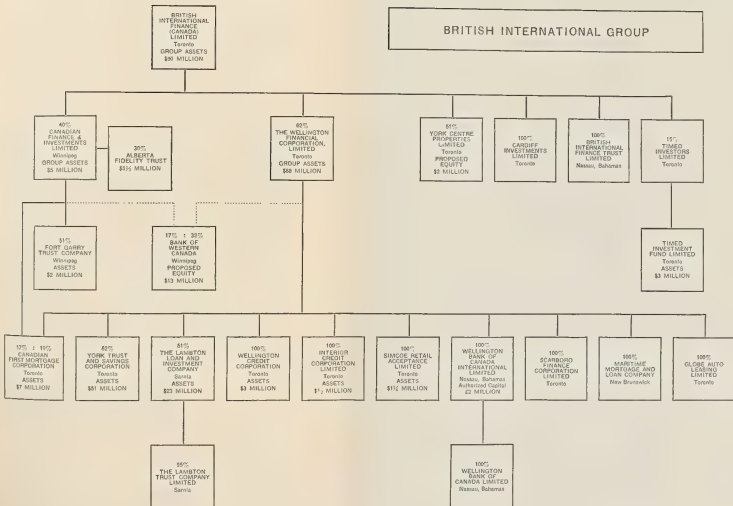
It is the intention of the Chairman to ask that the next meeting take place this coming Thursday at 9:30 a.m. in this room. I will ask the witnesses to make themselves available at that time. This is subject to supervening events which cannot be foreseen at this time.

Mr. LEBOE: Mr. Chairman, there was one question I asked to which Mr. Coyne did not have the answer. Could I get that answer when we meet again? I have another list of questions here. My question relates to the matter of your bank having a fully-owned real estate company and whether or not you can loan money to that real estate company. Could you get me that information?

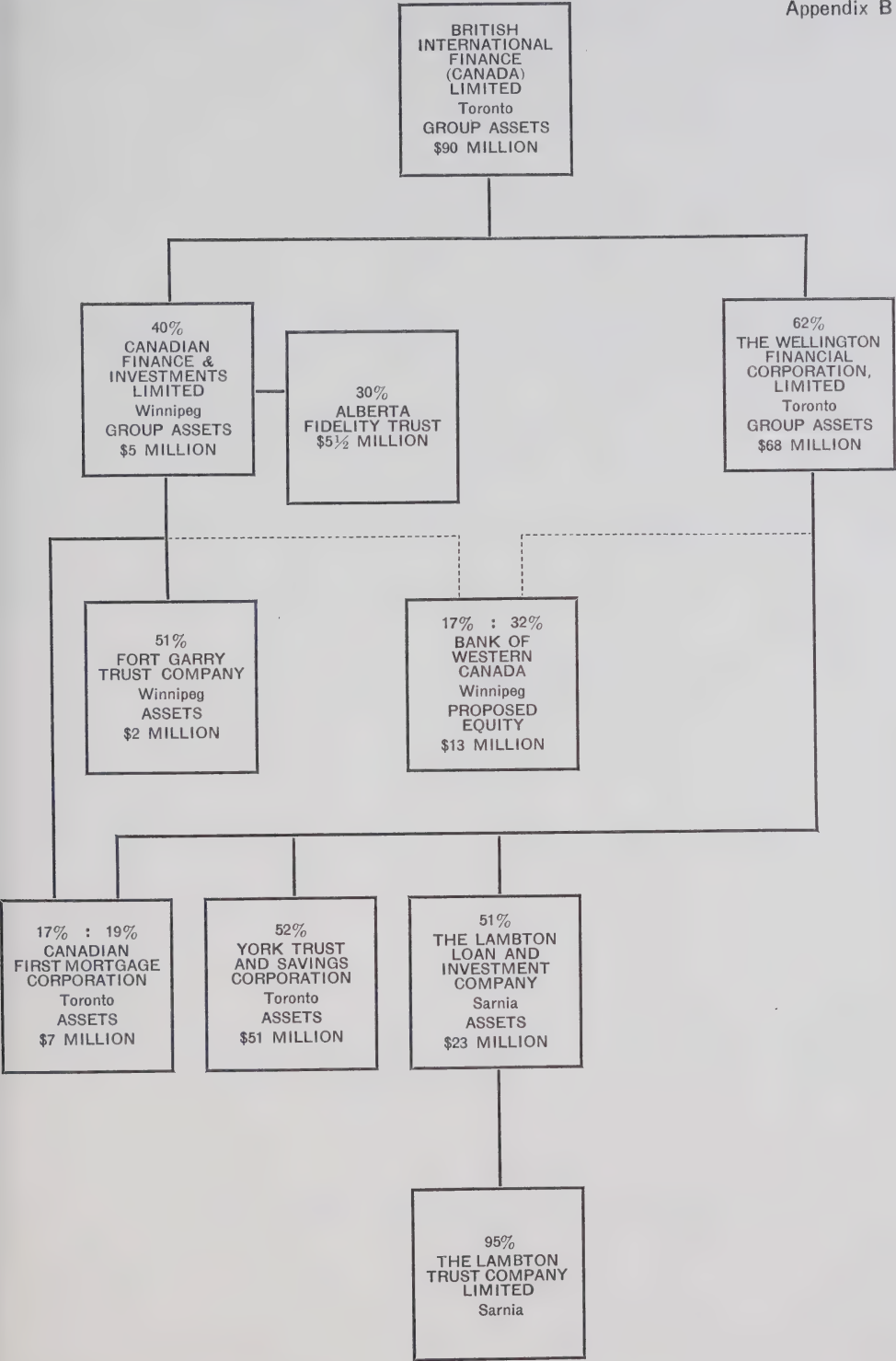
Mr. COYNE: Yes. You might let me have your second list of questions so that I can do some homework on it.

The CHAIRMAN: The other members of the committee may have some comments about that.

Gentlemen, this meeting is adjourned.



Appendix B



OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations
and/or a translation into English of the French.

Copies and complete sets are available to the
public by subscription to the Queen's Printer.
Cost varies according to Committees.

LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, MARCH 3, 1966

Respecting

Bill C-111, An Act to incorporate Bank of Western Canada

WITNESSES:

Messrs. D. Gordon Blair and J. M. Coyne, Parliamentary Agents; Sinclair M. Stevens, Toronto; James E. Coyne, Toronto; Max Ritchie, Edmonton; C. F. Elderkin, Inspector General of Banks; Dr. P. M. Ollivier, Q.C., Parliamentary Counsel.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966



STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme
and Messrs.

Andras,	Hees,	McLean
Basford,	Horner (<i>Acadia</i>)	(<i>Charlotte</i>)
Cameron (<i>Nanaimo-</i>	Irvine,	Monteith,
<i>Cowichan-The Islands</i>)	Lambert,	More
Cashin,	Lamontagne,	(<i>Regina City</i>)
Chrétien,	Leboe,	Munro,
Clermont,	Lewis,	Stafford,
Coates,	Macdonald	Valade—25.
Comtois,	(<i>Rosedale</i>)	
Grégoire,		

Dorothy F. Ballantine,
Clerk of the Committee.

ORDER OF REFERENCE :

TUESDAY, March 1, 1966.

Ordered,—That on Tuesday, March 1, 1966 the Standing Committee on Finance, Trade and Economic Affairs be authorized to sit while the House is sitting.

Attest.

LÉON-J. RAYMOND

The Clerk of the House.

REPORT TO THE HOUSE

MARCH 3, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

SECOND REPORT

Your Committee recommends that it be authorized to sit while the House is sitting, such authority to have effect for this day only, Thursday, March 3, 1966.

Respectfully submitted,

HERB GRAY,
Chairman.

(Concurred March 3, 1966.)

MINUTES OF PROCEEDINGS

THURSDAY, March 3, 1966.

(4)

The Standing Committee on Finance, Trade and Economic Affairs met at 9:40 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Basford, Cashin, Clermont, Gray, Grégoire, Horner (*Acadia*), Irvine, Laflamme, Lambert, Leboe, Lewis, Macdonald (*Rosedale*), McLean (*Charlotte*), Monteith, More (*Regina City*), Munro—(16).

In attendance: Messrs. J.-T. Richard, M.P., sponsor of Bill C-111; D. Gordon Blair, Parliamentary Agent; J. M. Coyne, Parliamentary Agent; Sinclair M. Stevens, Toronto; James E. Coyne, Toronto; Max Ritchie, Edmonton; C. F. Elderkin, Inspector General of Banks.

The committee agreed to defer the question of the composition of the sub-committee on agenda and procedure to the next meeting.

The committee resumed consideration of Bill C-111, An Act to incorporate Bank of Western Canada.

Messrs. Coyne, Stevens and Blair were recalled and questioned, assisted by Mr. Ritchie.

On motion of Mr. More (*Regina City*), seconded by Mr. McLean (*Charlotte*),
Resolved,—That the committee seek permission to sit while the House is sitting, such permission to have effect for this day only, Thursday, March 3, 1966.

The questioning continuing, at 12:00 noon the committee adjourned until 3:30 p.m. this day, if permission to sit is granted by the House.

AFTERNOON SITTING

(5)

The committee resumed at 3:55 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Cashin, Chrétien, Clermont, Coates, Gray, Hees, Horner (*Acadia*), Irvine, Laflamme, Lambert, Lewis, Macdonald (*Rosedale*), McLean (*Charlotte*), Monteith, More (*Regina City*)—(15).

In attendance: The same as at the morning sitting, with the addition of Dr. P. M. Ollivier, Q.C., Parliamentary Counsel.

Questioning of Messrs. Stevens and Coyne was continued, and the witnesses were permitted to stand down, subject to recall.

Mr. Elderkin was called and questioned and permitted to stand down, subject to recall.

The committee then proceeded to clause by clause consideration of the Bill.

On motion of Mr. Lambert, seconded by Mr. Monteith,
Resolved,—That the Preamble be allowed to stand.

Clauses 1 to 4 inclusive were carried.

On clause 5

Mr. Blair introduced his colleague, Mr. J. M. Coyne, Parliamentary Agent, who made a statement explaining the purpose and intent of certain amendments which the promoters wished to make to the Bill. Copies of the proposed amendments were distributed.

Dr. Ollivier was questioned concerning the amendments.

After further discussion and questioning, it was moved by Mr. Lambert and seconded by Mr. Coates that: Clause 5 of Bill C-111 be deleted and the following substituted therefor: (*for text of proposed amendments see Appendix "A" to these Minutes, page 75.*)

Mr. Lewis, seconded by Mr. More (*Regina City*), moved in sub-amendment that: Wherever in the amendment "twenty-five per cent" occurs as a total for stock-holding by non-residents, it be changed to "ten per cent".

After further discussion, on motion of Mr. Lewis, seconded by Mr. Clermont,

Resolved,—That this committee stand adjourned to 9:30 a.m., Tuesday, March 8, 1966.

At 5:45 p.m., the committee adjourned until March 8, 1966.

Dorothy F. Ballantine,
Clerk of the Committee.

APPENDIX "A" TO MINUTES OF PROCEEDINGS

Moved by Mr. Lambert, seconded by Mr. Coates,

That Clause 5 of Bill C-111 be deleted and the following substituted therefor:

"5. (1) In this section and sections 6 to 9,

(a) "agent", in relation to

(i) Her Majesty in right of Canada or in right of a province, or

(ii) the government of a foreign state or any political subdivision thereof,

means an individual or corporation empowered to perform any function or duty on behalf of Her Majesty in either such right or on behalf of the government of a foreign state or any political subdivision thereof, other than a function or duty in the administration or management of the estate or property of an individual;

(b) "corporation" includes an association, partnership or other organization;

(c) "non-resident" means

(i) an individual who is not ordinarily resident in Canada,

(ii) a corporation incorporated, formed or otherwise organized, elsewhere than in Canada,

(iii) the government of a foreign state or any political subdivision thereof, or an agent of either,

(iv) a corporation that is controlled directly or indirectly by non-residents as defined in any subparagraphs (i) to (iii),

(v) a trust

(A) established by a non-resident as defined in any of subparagraphs (ii) to (iv) other than a trust for the administration of a pension fund for the benefit of individuals a majority of whom are residents, or

(B) in which non-residents as defined in any of subparagraphs (i) to (iv) have more than fifty per cent of the beneficial interest, or

(vi) a corporation that is controlled directly or indirectly by a trust defined in subparagraph (v) as a non-resident; and

(d) "resident" means an individual, corporation or trust that is not a non-resident.

(2) For the purposes of sections 6 to 9, a shareholder is deemed to be associated with another shareholder if

(a) one shareholder is a corporation of which the other shareholder is an officer or director;

(b) one shareholder is a partnership of which the other shareholder is a partner;

- (c) one shareholder is a corporation that is controlled directly or indirectly by the other shareholder;
- (d) both shareholders are corporations and one shareholder is controlled directly or indirectly by the same individual or corporation that controls the other shareholder;
- (e) both shareholders are members of a voting trust where the trust relates to shares of the Bank; or
- (f) both shareholders are associated within the meaning of paragraphs (a) to (e) with the same shareholder.

(3) For the purposes of this section and sections 6 to 9, a "shareholder" is a person who according to the books of the Bank is the holder of one or more shares of the capital stock of the Bank and a reference in sections 6 to 9 to a share being held by or in the name of any person is a reference to his being the holder of the share according to the books of the Bank.

(4) For the purposes of sections 6 to 9, where a share of the capital stock of the Bank is held jointly and one or more of the joint holders thereof is a non-resident, the share is deemed to be held by a non-resident.

(5) Where a corporation or trust that was at any time a resident becomes a non-resident, any shares of the capital stock of the Bank acquired by the corporation or the trust while it was a resident and held by it while it is a non-resident shall be deemed, for the purposes of sections 6 and 7, to be shares held by a resident for the use or benefit of a non-resident.

"6. (1) The bank shall refuse to allow a transfer of a share of the capital stock of the bank to a non-resident to be made or recorded in a register of transfers of the bank

- (a) if, when the total number of shares of the capital stock of the Bank held by non-residents exceeds twenty-five per cent of the total number of the issued and outstanding shares of such stock, the transfer would increase the percentage of such shares held by non-residents; or
- (b) if, when the total number of shares of the capital stock of the bank held by non-residents is twenty-five per cent or less of the total number of the issued and outstanding shares of such stock, the transfer would cause the total number of such shares held by non-residents to exceed twenty-five per cent of the total number of the issued and outstanding shares of such stock.

(2) The bank shall refuse to allow a transfer of a share of the capital stock of the bank to any person to be made or recorded in a register of transfers of the bank

- (a) if, when the total number of shares of the capital stock of the bank held by such person and by other shareholders associated with him, if any, exceeds ten per cent of the total number of the issued and outstanding shares of such stock, the transfer would increase the percentage of such shares held by such person and by other shareholders associated with him, if any; or
- (b) if, when the total number of shares of the capital stock of the bank held by such person and by other shareholders associated with him,

if any, is ten per cent or less of the total number of the issued and outstanding shares of such stock, the transfer would cause the total number of such shares held by such person and by other shareholders associated with him, if any, to exceed ten per cent of the issued and outstanding shares of such stock.

(3) The bank shall refuse to allow a transfer of a share of the capital stock of the bank to

- (a) Her Majesty in right of Canada or in right of a province or an agent of Her Majesty in either such right, or
- (b) the government of a foreign state or any political subdivision thereof or an agent of the government of a foreign state of any political subdivision thereof,

to be made or recorded in a register of transfers of the bank.

(4) The bank shall not accept a subscription for a share of the capital stock of the bank

- (a) by Her Majesty in right of Canada or in right of a province or an agent of Her Majesty in either such right or by the government of a foreign state or any political subdivision thereof or an agent of the government of a foreign state or any political subdivision thereof, or
- (b) except as otherwise provided in subsection (5), in circumstances where if the subscription were a transfer of the share the bank would be required under subsection (1) or (2) to refuse to allow the transfer to be made or recorded; but in the case of a subscription pursuant to an offer under section 36 of the Bank Act the bank may count as shares issued and outstanding all the shares included in the offer.

(5) Subject to paragraph (a) of subsection (4), where an offer of shares of the capital stock of the bank is made under section 36 of the Bank Act, the bank may accept any subscription

- (a) if the terms of the offer contain provisions to the effect that in the case of a share offered to a shareholder whose recorded address, at the time fixed for determining the shareholders to whom the offer is made, is a place within Canada and who is not at that time, to the knowledge of the bank, a non-resident, a subscription will not be accepted if the share is to be recorded in the name of a non-resident;
- (b) if the subscription is accompanied by a declaration by the subscriber
 - (i) as to whether the person in whose name the share is to be recorded is a resident or a non-resident, and
 - (ii) to the effect that the total number of shares of the capital stock of the bank that will, if the subscription is accepted, be held by such person and by other shareholders associated with him, if any, will not exceed ten per cent of the total number of the shares of the capital stock of the bank that will be issued and outstanding on the issue of all shares included in the offer; and
- (c) if, on the basis of such declaration, the acceptance of the subscription is not contrary to the terms of the offer.

(6) Default in complying with the provisions of this section does not affect the validity of a transfer of a share of the capital stock of the bank that has

been made or recorded in a register of transfers of the bank or the validity of the acceptance of a subscription for a share of the capital stock of the bank.

"7. (1) Notwithstanding section 34 of the Bank Act, where a resident holds shares of the capital stock of the Bank in the right of, or for the use or benefit of, a non-resident, the resident shall not, in person or by proxy, exercise the voting rights pertaining to those shares.

(2) Notwithstanding section 34 of the Bank Act, where the total of

(a) the number of shares of the capital stock of the Bank held in the name or right of or for the use or benefit of a person, and

(b) the number of shares of the capital stock of the Bank held in the name or right of or for the use or benefit of

(i) any shareholders associated with the person mentioned in paragraph (a), or

(ii) any other person who would be deemed under subsection (2) of section 5 to be associated with the person mentioned in paragraph (a), if both he and such other person were shareholders,

exceeds ten per cent of the issued and outstanding shares of such stock,

(c) no person shall, in person or by proxy, exercise the voting rights pertaining to any of the shares referred to in paragraph (a) that are held in the name of a resident, and

(d) no person shall, in person or as proxy, exercise the voting rights pertaining to any of the shares referred to in paragraph (a) that are held in the name of a non-resident.

(3) Notwithstanding Section 34 of the Bank Act, the voting rights pertaining to any shares of the capital stock of the Bank shall not be exercised when the shares are held in the name or right of or for the use or benefit of

(a) Her Majesty in right of Canada or in right of a province or an agent of Her Majesty in either such right; or

(b) the government of a foreign state or any political subdivision thereof or an agent of the government of a foreign state or any political subdivision thereof.

(4) Where it appears from the register of shareholders of the Bank that the total par value of the shares of the capital stock of the Bank held by a shareholder is less than five thousand dollars, a person acting as proxy for the shareholder at a general meeting of the Bank is entitled to assume that the shareholder holds the shares in his own right and for his own use and benefit and that he is not associated with any other shareholder, unless the knowledge of the person acting as proxy is to the contrary.

(5) If any provision of this section is contravened at a general meeting of the shareholders of the Bank, no proceeding, matter or thing at that meeting is void by reason only of such contravention, but any such proceeding, matter or thing is, at any time within nine months from the day of commencement of the general meeting at which the contravention occurred, voidable at the option of the shareholders by a resolution passed at a special general meeting of the shareholders.

"8. (1) The directors may make such by-laws as they deem necessary to carry out the intent of sections 5 to 9 and in particular, but without restricting the generality of the foregoing, the directors may make by-laws

- (a) requiring any person in whose name a share of the capital stock of the Bank is held to submit a declaration.
 - (i) with respect to the ownership of such share,
 - (ii) with respect to the place in which the shareholder and any person in whose right or for whose use or benefit the share is held are ordinarily resident,
 - (ii) whether the shareholder is associated with any other shareholder, and
 - (iv) with respect to such other matters as the directors may deem relevant for the purposes of sections 5 to 9;
- (b) requiring any person desiring to have a transfer of a share to him made or recorded in a register of transfers of the Bank or desiring to subscribe for a share of the capital stock of the Bank to submit such a declaration as may be required pursuant to this section in the case of a shareholder; and
- (c) providing for the determination of the circumstances in which any declarations shall be required, their form and the times at which they are to be submitted.

(2) Where pursuant to any by-law made under subsection (1) any declaration is required to be submitted by any shareholder or person in respect of the transfer of or subscription for any share, the Bank may refuse to allow such transfer to be made or recorded in a register of transfers of the Bank or to accept such subscription without the submission of the required declaration.

(3) The Bank and any person who is a director, officer, employee or agent of the Bank, may rely upon any information contained in a declaration required by the Bank pursuant to this section or any information otherwise acquired in respect of any matter that might be the subject of such a declaration; and no action lies against the Bank of any such person for anything done or omitted in good faith in reliance upon any such information.

(4) Where for any of the purposes of section 6, the Bank requires to establish the total number of shares of the capital stock of the Bank held by non-residents, the Bank may calculate the total number of such shares held by non-residents to be the total of

- (a) the number of shares held by all shareholders whose recorded addresses are places outside Canada; and
- (b) the number of shares held by all shareholders each of whose aggregate individual holdings of such shares has a par value of five thousand dollars or more and whose recorded addresses are places within Canada but who to the knowledge of the bank are non-residents; and such calculation may be made as of a date not earlier than four months before the day on which the calculation is made.

(5) Where by any calculation made under subsection (4) the total number of shares held by non-residents is under twenty-five per cent of the total issued and outstanding shares of the capital stock of the Bank, the number of shares

the transfer of which by residents to non-residents the Bank may allow to be made or recorded in the registers of transfers of the Bank shall be so limited as not to increase the total number of shares held by non-residents to more than twenty-five per cent of the total issued and outstanding shares of the capital stock of the Bank.

(6) Notwithstanding subsections (1) and (2) of section 6, where in the case of a transfer of any shares of the capital stock of the Bank to a transferee it appears that

- (a) the aggregate par value of all shares of the capital stock of the Bank held by the transferee as shown by the register of shareholders of the Bank at a date not more than four months earlier is less than five thousand dollars, and
- (b) the aggregate par value of the shares included in the transfer and any shares acquired by the transferee after the date mentioned in paragraph (a) and still held by him as shown by the register of transfers of the Bank in which it is sought to have the transfer made or recorded is less than five thousand dollars,

the Bank is entitled to assume that the transferee is not and will not be associated with any other shareholder and, unless the address to be recorded in the register of shareholders of the Bank for the transferee is a place outside Canada, that he is a resident.

"9. Notwithstanding section 6, the Bank, upon its incorporation and with the prior approval of the Treasury Board, may, either before or after the first general meeting of the shareholders of the Bank, accept subscriptions for shares by residents without regard to the provisions of section 6, but no such subscriptions for shares may be accepted by the Bank except in accordance with and subject to such terms and conditions as the Treasury Board may by order prescribe.

"10. Sections 5 to 9 inclusive of this Act shall have effect notwithstanding anything in the Bank Act but unless otherwise provided by Parliament shall cease to have effect upon the last day upon which the Bank may carry on the business of banking under the provisions of section 6 of that Act."

EVIDENCE

THURSDAY, March 3, 1966.

● (9: 40 a.m.)

The CHAIRMAN: Gentlemen, I see a quorum. I will now call the meeting to order.

We have before us a motion and an amendment dealing with the composition of the steering committee. Since our time is again limited today, I would invite the committee to consider tabling this motion for further discussion at the next meeting.

Mr. LAMBERT: I so move.

Mr. LEWIS: I second the motion.

Motion agreed to.

The CHAIRMAN: We will now resume our consideration of Bill No. C-111 to incorporate the Bank of Western Canada. We have with us again Mr. Coyne and Mr. Stevens and the parliamentary agent.

I believe Mr. Coyne wishes to make a correction before we begin our questioning.

Mr. JAMES E. COYNE (*Proposed provisional director, Bank of Western Canada*): This is just a statistical point. Reference was made the other day to the fact that the chartered banks had made large transfers in their reserves in the last two years. The figures are given in the statistical summary of the Bank of Canada. I have not read the transcript so I am not quite sure what I said but I may have failed to say that the figure included provision for losses; it was not purely a transfer to inner reserves.

Mr. CLERMONT: There was no question of provision for losses?

Mr. COYNE: The figure we were speaking of, \$75 million, included provision for losses in addition to inner reserves. It does not give separately the amount of losses in any one year but it shows that over the past 25 years the average provision for losses was \$10 million a year.

The CHAIRMAN: Mr. Clermont, you are next on my list.

Mr. CLERMONT: You mean, Mr. Coyne, that in the \$75 million there would be the figure of \$10 million?

Mr. COYNE: I do not know how much it would be. It was a prosperous year but whether it would mean a bigger or a smaller loss I do not know. The only information that has been made available is that over the past 25 years the average annual amount for losses was \$10 million; it could have been bigger in some years and smaller in others.

Mr. CLERMONT: Mr. Stevens, in your opening remarks you said there would be room for another bank. You also mentioned that between the years 1963 and 1965, 270 further branches were opened of which 91 were from the four provinces. The member from Edmonton West said that after the war up to 1965

the number of branches opened in Canada had doubled. Mr. Lambert, would you include in that number the credit unions or do you only speak of bank branches?

Mr. LAMBERT: I am basing myself on the testimony of the superintendent of banking before the Banking and Commerce Committee which met in 1964. He spoke of 5,500 branches of banks.

Mr. CLERMONT: That means that we have to add to that credit unions, credit corporatives and caisses populaires because we know very well in Quebec that the caisses populaires have flourished for the last 20 years. I understand that now the caisses populaires have over a billion dollars in deposits. Suppose the Bank Act is revised and the new banks are included in the Bank Act, will there be room for another bank or banks?

Mr. STEVENS: Yes.

Mr. CLERMONT: In your remarks you said the total assets of the eight existing banks from 1963 to 1965 have gone up from \$22.1 billion to \$25 billion. Is that a normal kind of growth in the context of the economic expansion we have experienced in the last few years?

Mr. STEVENS: In terms of Canadian prosperity and expansion I would not want to say it is abnormal. It is fair to say though that right until the war period the entire Canadian banking system was less than \$4 billion and in two years it has almost grown to the size that it was in its total in, say, the 1939 period.

Mr. CLERMONT: In your remarks you said—I think Mr. Coyne made a correction here—that the banks have tripled their inner reserves and their provision for loss allocation in 1965. Could you say what percentage of that \$75 million was in reserve and provision for loss in 1965?

Mr. COYNE: I do not know that figure. So far as I know, that figure or a figure of that nature has never been published.

Mr. LEWIS: If I may interject here, Mr. Chairman, how would they know the reserves for loss over the years if they do not have it year by year?

Mr. COYNE: Somebody knows it but I do not. These figures are collated by the Inspector General of Banks and by the Bank of Canada from reports that the individual banks make.

Mr. LEWIS: But the information is available at the Bank of Canada; it is just not published.

Mr. COYNE: That is right. It could not be published without the authority of the Minister of Finance.

Mr. CLERMONT: Mr. Coyne, in your remarks or in a reply to a question, you said you hoped that there will be more banks in western Canada and in the Maritimes. Did you indicate by that that you are satisfied that in central Canada the existing banking system is adequate?

Mr. COYNE: No. I think what I had in mind was that all the present banks are located in central Canada and none of them have their head offices in the Maritimes or in western Canada.

Mr. CLERMONT: Why are you emphasizing so much a head office in one centre rather than in another? Do you mean that if there were head offices in western Canada or in the Maritimes that, say, a commercial loan would receive

a more favourable reply than if it were studied by a head office either in Toronto or Montreal?

Mr. COYNE: The answer to that is yes, but there is also another factor of great importance. I think the people concerned would be more satisfied that they had received adequate consideration if it were done by a head office in their own town or in their own region.

Mr. LAMBERT: May I ask a supplementary question at this point? Do you feel then, Mr. Coyne, that the practice of the chartered banks in raising the status of their provincial or regional supervisors to that of assistant general manager is merely a step in the public acceptance of a transaction; that if an assistant general manager in Calgary, Winnipeg or Vancouver ruled on that particular matter it would be better than if it had been done merely by the superintendent?

● (9: 50 a.m.)

Mr. COYNE: I do not suppose changing the name makes any difference but if, in fact, there is a process of decentralization of authority, that is a good thing.

Mr. LAMBERT: Is it actually a decentralization of authority in your opinion and your knowledge of the banking business, or is it merely window dressing, as Mr. More said?

Mr. COYNE: I really do not know. I think you would have to find out what authority had been given to the regional officers both in form and in practice.

Mr. LAMBERT: You are not aware of it?

Mr. COYNE: No.

Mr. CLERMONT: Are you also aware that the local branch managers have some kind of authority over the granting of loans?

Mr. COYNE: Most local branch managers have virtually no authority in loans, or a very small amount. That would be true of at least 75 per cent of the branches.

Mr. CLERMONT: Even if they are, say, in the west where they are far away from headquarters?

Mr. COYNE: Yes, except for certain routine types of loans where procedures are laid down, such as home improvement loans and guaranteed farm loans. There must be considerable administrative authority in the local manager, but in terms of passing a risk-bearing loan such as a commercial loan, most of the branches do not make those loans anyhow. Most of the branches do nothing but take in saving deposits and run current accounts.

Mr. CLERMONT: I know some bank managers have authority to make loans; it may not be in the case of \$25,000 or \$50,000 loans.

Mr. COYNE: I am remote from it both in time and in some other ways. It used to be true of very few branches in the very largest cities.

Mr. CLERMONT: Mr. Stevens, in your opening remark when you said that you were forming a bank, you mentioned on Tuesday, I think, that one insurance company showed interest as a shareholder, I believe it was the Great-West Life. I think it was indicated in the Senate that another insurance company with a head office in Winnipeg might be interested either in depositing in your bank or being a shareholder. Is that right?

Mr. STEVENS: I think there are four. I am not sure whether Sovereign moved their head office.

Mr. CLERMONT: It was mentioned that there were four big insurance companies with head offices in Quebec and that they were interested either in buying shares or becoming depositors in your bank.

Mr. STEVENS: I know that initially the Great-West Life held a \$495,000 investment and the Monarch Life held I think 3,300 shares and Sovereign 2,000. I am just relying on my memory. I know that the Great-West still have their block; I am not sure whether Monarch or Sovereign have but it could well be that they have disposed of them—I am not sure.

Mr. CLERMONT: You just mentioned that certificate holders are getting an interest on their returns.

Mr. STEVENS: They are getting the net proceeds that accrue on the funds.

Mr. CLERMONT: Tuesday you mentioned that banks were fighting to get your deposits.

Mr. STEVENS: The net result of that interest accrual was paid out to the certificate holders. I got my cheque on Wednesday when I got home, so I know it went out at that time and it was \$0.60 per certificate, that means that on a \$15 certificate they got \$0.60. That is the accrual up to December 31, 1965.

Mr. CLERMONT: You mentioned that you hoped to be permanent director of the new bank. Could you explain what you mean by "permanent"? For us, French people, the word "permanent" may have a different meaning.

Mr. STEVENS: I know it is confusing. The Bank Act refers to "provisional directors" because we are not incorporated. In order to be a provisional director, in our certificates prospectus we had to say "proposed provisional director". We will go through three stages. The five people are now "proposed provisional directors". We have to be provisional directors when the bank charter is granted and then to be permanent directors in the sense that we hope to be elected by the shareholders initially and will be re-elected at the annual meetings.

Mr. CLERMONT: What is your reaction to clause 8 in Bill No. C-102 which was introduced in 1964, which states that no director will be allowed to sit as a bank director if one fifth of the directors of one corporation formed the bank's directorate? Some of the directors of these firms I spoke of might be directors of the new bank. Will you yourself forget about your directorship in other banks and stay in the new bank or will it be vice versa?

Mr. STEVENS: We will have to abide by whatever the law is.

There is something I would like to mention in reference to the question you asked Mr. Coyne concerning the authority of branch managers in the banks. This was covered in the Royal Commission on Banking, and at page 132 we find it is stated:

Under their "discretionary limits", most of which are for \$10,000 or less, the branch managers make final decisions on well over 90 per cent of loan applications covering at least one-quarter of the dollar amount of loans. Regional supervisors or assistant general managers outside head office are responsible for most accounts lying between \$10,000 and \$100,000 and an increasing number of them have authority to approve much larger applications. The remaining large applications which ac-

count for about half of 1 per cent of the accounts but for a substantial share of the 50 per cent of loans which were made under authorizations of \$100,000 or more—are passed on to senior officials in head office.

The table that appears shows that 49.7 per cent of the total loans made by the banks are \$100,000 or more and are passed on at head office.

Mr. CLERMONT: In your remarks you say that you will employ professional bankers, and you mentioned that you had offers from bankers. Will those come from existing banks or from near banks and do you think you will have difficulty, if parliament grants you a charter, in getting professional bankers?

Mr. STEVENS: We are quite confident we will be able to get suitable professional bankers as you say, either from existing banks or so-called near banks.

Mr. MONTEITH: You also said that it is your intention that the banks should not operate in a manner radically different from the existing banks. How can you do that?

Mr. STEVENS: If the transcript says "radically different" they misquoted me in that. I said, "We will not operate in a manner radically different". I have here the printed part that I was reading from. I was using a double negative.

Mr. CLERMONT: I thought that maybe it would be easier for the small firms to get their credit.

● (10: 00 a.m.)

Mr. STEVENS: It is not our intention that the bank should operate in a radically different manner.

Mr. LEWIS: Mr. Stevens is not a radical.

Mr. CLERMONT: So, according to your view and Mr. Coyne's view, if your application meets with the Bank Act and parliament grants you a charter, regardless of the existing claims that other banks are satisfactory, do you consider it would be a sound investment to form a new bank?

Mr. COYNE: Yes, Mr. Clermont. I believe it would be a sound investment. The manner in which the bank will conduct its operation will depend upon its relations with the public and its depositors and customers. It is difficult to be very precise in advance, and also it is difficult to be asked to say things about our proposed operations that one would not normally make known to one's competitors. I think we have found from observing public opinion and from conversations with people in western Canada that a lot of people would like to do business with a new bank.

Mr. CLERMONT: Your head office will be in Winnipeg. Some of my western friends may say I am talking like an easterner.

Mr. COYNE: For the same reason, in some degree, in the province of Quebec a lot of customers deal with the Banque Provinciale du Canada and Banque Canadienne Nationale because they are regional banks very largely confined to one province and there is a very strong local attachment to those banks. I do not think it is really a question of language. The fact that it is a local institution is of great importance in their operations.

Mr. CLERMONT: On Tuesday you said your views were not sought when the last merger took place. Have you any idea why that merger took place?

Mr. COYNE: No, sir, I do not.

Mr. BASFORD: I have a few questions for Mr. Coyne. You surmised on Tuesday that the existing chartered banks had excess deposits of loans from western Canada. In discussing the policy of your banks you stated that you would be lending in areas from which you received your deposits.

Mr. COYNE: Yes.

Mr. BASFORD: On what do you base your surmise?

Mr. COYNE: I do not have any statistical information. I can only say it is the opinion I have formed as a result of a variety of information and things I have heard over a period of years. However, I could not prove it until some figures are provided.

Mr. BASFORD: And those figures are not public at the moment?

Mr. COYNE: No, they never have been.

Mr. BASFORD: So it is difficult to say that?

Mr. COYNE: But there are people who have the information and no doubt they could make it available if they chose to.

Mr. BASFORD: Such as—

Mr. COYNE: The banks themselves.

Mr. BASFORD: Are they the only people who would have the figures available?

Mr. COYNE: So far as I know.

Mr. BASFORD: Is the policy you propose for your bank in this area the policy now followed, for example, by the Maritime Mortgage and Loan?

Mr. STEVENS: I do not know whether you are referring to that company deliberately but it was only incorporated and used by us to enable us to make mortgage loans in the province of New Brunswick. It is controlled by Wellington, and if Wellington wished to make a loan in New Brunswick they would have to have a company that empowers them to make a loan in that province. It is not an operative loan company in the sense that it takes deposits or any other funds from the public.

Mr. BASFORD: I would like to go back to your method of proposed operation in the area in which you feel you can compete with the existing banks as I read your evidence in the Senate.

Mr. COYNE: It has been pointed out that the other banks may be making changes in that regard themselves. The basis for our operations must be our success in gathering deposits from the public. Obviously we cannot make loans unless we have money coming in from deposits. Therefore we must do our best to provide officers of the bank in suitable locations and provide service and facilities in a way that pleases our customers. This has to be worked out in practice, and you cannot very well lay down too detailed a plan in advance. As I say, we certainly would not want to make known to our competitors anything in the way of a detailed plan.

Mr. BASFORD: Approximately half of your authorized capital will be issued, or \$13,000.

Mr. COYNE: A little under half, a third. The authorized capital is \$25 million. The par value of what will be issued initially will be about \$8 million.

Mr. BASFORD: What are your plans with regard to the authorized capital?

Mr. COYNE: This is covered by the Bank Act. After you make your initial sale of stock you cannot thereafter issue stock except to the existing shareholders in proportion to their holdings. So, from time to time, as you know, the banks may make rights offerings to their shareholders; each one has the right to subscribe for one share for each ten he already owns at a price which is determined by the Bank Act, that is to say it is the book value of one share.

Mr. BASFORD: I take it, from the statements in the Senate, that the net worth of your related companies or your group of companies following incorporation will go up from \$10 million to \$20 million. Would it therefore not be easy, following incorporation, to acquire a much larger block of shares in the proposed bank than was contemplated?

● (10:10 a.m.)

Mr. COYNE: That is purely a statistical putting together. People said, "Well, the Bank will be in your group of companies after incorporation", and on that basis the capital of the bank, whether we own it or not, was included in those figures. That is the total net worth of all the companies including the bank, but the net worth is of course owned by thousands of shareholders, and only two in the minority position by Mr. Stevens' group.

I think we should make very clear the difference between voting power and control and financial interest or profit making. The profits of the bank will be distributed in the form of dividends to all the shareholders, and the other shareholders—I should think 90 per cent but I do not know—other than Mr. Stevens and his group will get say 90 per cent of the profits of the bank. I could check the figure for you.

In so far as people can make a profit, some shareholders will sell out their shares at a higher price, and those shares will go to the general shareholders, not to any management or control group.

Mr. BASFORD: I realize that, but having this large block of unissued stock would it not be possible following incorporation to issue further stock and, in this way, fairly shortly after incorporation for the British International group to gain very substantial control of the bank?

Mr. COYNE: No, that is forbidden under the Bank Act. It can only be issued to the existing shareholders, whoever they may be. The British International group or any other group can buy shares in the open market if they have money to do so, but the incorporation of the bank will not put British International in more funds to buy shares.

Mr. BASFORD: No, but the British International group is generating a good deal of funds of its own.

Mr. COYNE: That is true, and they will have to make their investment decisions. They will have to decide whether they buy or sell various shares in different enterprises. Also, of course, again they will be bound by the provisions of the Bank Act; and if there is a provision, as we have understood there will be, to limit the holdings of any one person or group then they will have to abide by that.

Mr. BASFORD: That is the 10 per cent provision?

Mr. COYNE: Yes, or whatever it may be, with provision for the interim period.

As I said before, I am not really a member of this group in the sense of having any financial interest of any consequence. I am associated with them because I think they are competent, sincere people who are able to get things done. I do not think you will get banks established in any other way than by having some nucleus group who have to be the originators, the controllers and the organizers, and who will put a lot of time into it in the first instance.

Conceivably, if you have in the background some very large person such as we have heard of in connection with another proposed bank, the public may come in as shareholders and maybe someone would volunteer to organize the affair without there actually being a control of the shares as such, but that would be a rather different sort of situation. For ordinary commercial purposes someone has to organize a company and someone has to control it in the early stages; and every other bank I know of was started in that way.

Mr. STEVENS: On that point, Mr. Basford, it has been mentioned that I am President of British International, and I would like to speak from that position. Rather than increasing our holding in the bank as you are suggesting, I would think it would be extremely likely that in the case, say, of a rights issue, as mentioned by Mr. Coyne, we would sell off our rights and in that way start diminishing the over-all interest that we have in the bank; but we would have absolutely no intention of putting more capital into the bank if we are chartered. We would have no intention of putting more capital into the bank to gain a still bigger control position. As I say, our position would be probably to let the percentage fall through the selling off of rights which may accrue to us if more capital is acquired.

Mr. BASFORD: Why?

Mr. STEVENS: Because the \$6 million investment we have in the bank is a very substantial investment to have in any concern. The main thing we are interested in is in effect to seed the bank, to make sure it gets off to a healthy start and is properly organized and running.

The question of how much money we have in the bank is something that is only of significance at the beginning. We would have no thought of wanting to make a bigger investment in the concern than \$6 million.

Mr. COYNE: There is one very well known precedent with which perhaps you are familiar, and that is the relationship between the Bell Telephone Company of Canada and the American Telephone and Telegraph in the United States. I believe at one time American Telephone and Telegraph owned 51 per cent; certainly they were definitely in control of the Bell Telephone Company of Canada. Through a period of time as the company grew, American Telephone and Telegraph did not increase their shareholdings. They have now withdrawn to a position where they cannot have more than 5 per cent, or 10 per cent at the outside. This does happen in the normal development and expansion of a corporate enterprise.

Mr. BASFORD: There are many Members of the House of Commons who would still believe that American Telephone and Telegraph still hold effective control, which is denied by Bell Telephone.

Mr. COYNE: Any company is controlled by individuals, but who the individuals are at the moment in that case I would not know. However, I understand their shareholding is now very small.

Mr. STEVENS: I could also mention something on that, Mr. Basford, that you will recall if you have read the Senate proceedings. There were, I think, over 20 investment dealers who participated to a relatively large extent in the distribution in the Bank of Western Canada shares. In fact, Mr. Chairman, I was wanting to mention that one of the senior partners in the firm of Sydie, Sutherland and Ritchie is with us today in support of our application. Mr. Max Ritchie of Edmonton is here.

In approaching these dealings one of the points they made was that they found our proposal attractive partly because we were willing to put up our money along with the public funds that we are raising. It has been mentioned to me that the best evidence of the future success of the Bank was the fact that we were willing to put up substantial money from our own resources to finance the Bank, and that in that way the people who are coming in from the public have an assurance that it will be run properly. In other words, we have money at stake to make sure the bank is run properly.

If you approached the same dealers and said you were a disorganized group who felt it would be a good idea to get a bank charter and raise some capital, I think you would find there would not be nearly as much enthusiasm.

Mr. BASFORD: I am sure both of you are familiar with the relationships that exist between the existing banks and existing trust and loan companies, such as the Roynat Company.

I think it would be helpful if you were to discuss for a moment that relationship and the possibilities of that relationship growing with your group of companies.

Mr. COYNE: This is dealt with at some length in the Porter Commission Report. I have not chapter and verse in front of me but I can say it is well known that each of the large banks is intimately associated with one particular trust company, and in some instances also with a mortgage company or some other form of financial institution such as Roynat, which is a company whose purpose is to provide term capital for industry. The banks—or some banks—sometimes point out that they do not own a preponderance of the stock in a trust company. However, in so far as Roynat is concerned, a preponderance of the stock is held. Undoubtedly having a mutual interest of that sort, they encourage their customers to deal with other companies in the same group. This may be regarded as an advantage to them and perhaps to their customers.

The banks have in recent years been going more and more into the mortgage business as you may know, and in some cases new companies have been incorporated whether or not the bank owns the majority of stock—and probably it does not in that case because it is not a business they can go into directly themselves, so I do not think they could own 51 per cent of the stock that was in that business. Nevertheless, in one case the bank makes all its branches available to make mortgage loans in the name of a mortgage company, and there must be a very intimate connection between them obviously. When the Bank of Western Canada starts it will not own stock in any trust, loan or mortgage company and has no intention of acquiring such stock as an investment as far as I am concerned.

Some trust companies, more particularly York Trust Company, will own some stock in the bank. In the case of York, it is a substantial holding perhaps—30,000 shares or about 3 or 4 per cent holding. If the Bank Act makes changes

which prevent that sort of thing, of course we will be bound by it in the same way as the other banks. We would expect in the course of its operations in western Canada that the Bank of Western Canada will be friendly at least with Alberta Fidelity in Edmonton and the Fort Garry Company in Winnipeg and the other towns in which those companies operate, including Calgary at the moment and Camrose, Alberta. If there is a public policy in this matter we of course will respect it and abide by it.

We feel it will be an advantage to us in the early stages to have close relations with trust companies of this nature in the same way as the other banks have at present. If we find in practice this is not an advantage, well nothing will come of it. Of course, we will do business with all trust companies as do the other banks.

Mr. BASFORD: Most of the investments—correct me if I am wrong—of the whole British International finance group are in Ontario; is that correct?

Mr. COYNE: Yes.

Mr. BASFORD: Is there not a danger that the money raised by way of deposit in the Bank of Western Canada could be used to assist the British International group in Ontario?

Mr. COYNE: I do not know what you mean by danger. I can give you a categorical assurance that it will not. I was asked that question in the Senate and I said there was no such intention. The Bank of Western Canada will not have enough money to assist by making any loan in that regard. The size of the loan it can make for a good time to come will be small. With \$13 million capital and by the time we have \$5 million in deposits, what size of loans will we be making? I cannot see us doing anything over \$100,000 in any one loan.

Mr. BASFORD: Your membership in the Canadian Bankers' Association was touched on briefly the other day, I think, by Mr. Macdonald. You acquire that by right, I think.

Mr. COYNE: So I understand, yes. We do not have any choice in the matter.

Mr. BASFORD: What are the services you acquire by right of membership?

● (10: 20 a.m.)

Mr. COYNE: As far as I know, the only concrete and definite thing is membership in the clearing house. Another function of the Canadian Bankers' Association used to be to supervise the note issue by the banks. That has gone, of course, because the banks do not have any rights of note issue. It is also a meeting place where bankers get together and discuss problems.

Mr. BASFORD: And agree to do away with overdrafts.

Mr. COYNE: You may reach a certain amount of consensus about how a sensible banker will go about dealing with such matters. I do not have anything to say against the banks in the slightest way. The question was raised the other day about collusive agreements, and that term has a nasty ring to it. Certainly we will not be parties to any collusive agreement. The Mercantile Bank has stated publicly that it does not adhere to any agreement that may exist with any other banks. I should think that probably would be our position too. On the other hand, in many of the matters which may be dealt with by agreement one would probably find people following a similar line anyhow, and a small bank will not be able to step too far out of line in certain matters, for competitive reasons.

Mr. MACDONALD (*Rosedale*): May I ask a supplementary question?

Do you know if the Mercantile Bank has any difficulty in its clearing arrangements?

Mr. COYNE: I am sure it does not; I have not heard of any.

The CHAIRMAN: I might say at this point that in recognizing a supplementary question I do so without prejudice to the ruling at an appropriate time on Mr. Horner's suggestions.

Mr. BASFORD: But you do not know whether you will be welcome in this club or not?

Mr. COYNE: It is a matter of human nature. Some bankers have said they welcome competition. Other bankers have said they do not think one can run a bank with its head office in Winnipeg because the money market is in Toronto.

I do not see any difficulty in that. The banks themselves participate in the money market in New York to a large scale, and their head offices are not in New York. All the United States banks outside New York deal in the money markets in New York. Indeed, in Canada the money market is in two cities, Montreal and Toronto—and perhaps to a smaller extent in Vancouver. The other bankers may feel sceptical about our ability to succeed. I do not think this is any reason to deter us or anybody else from making the effort.

Mr. BASFORD: It seems to me it would be useful to have the Bankers' Association in front of us in order to nail them down on the matter of cooperation.

Mr. COYNE: We do not feel any need for that.

Mr. BASFORD: I have no more questions, Mr. Chairman.

The CHAIRMAN: I now recognize Mr. Horner.

Mr. HORNER (*Acadia*): Mr. Coyne, on Tuesday you left the impression with me that you regarded the banking business and this proposed charter as a money-making proposition. But do you not consider that the banks today operate more or less as a public utility in some respects?

Mr. COYNE: I suppose it is a question of definition, but when you use that word in that connection it sounds as though you mean it is and ought to be a monopoly.

Mr. HORNER (*Acadia*): A chartered bank in a sense—there are only 8 of them—is a pretty monopolistic form of operation.

Mr. COYNE: I am suggesting that we should take action to reverse that trend towards monopolization.

Mr. HORNER (*Acadia*): In a sense this is what the Porter Commission said too. However, to get back to my question, do you not consider that the chartered banks in a sense operate as a public utility?

Mr. COYNE: It is very difficult to pin the words "public utility" on to any business. We regard the electrical business as a public utility. Always in my mind it has had a connotation of monopoly, and because it was a monopoly and not subject to competition in any real sense it had to be regulated in the public interest either by actual regulation or by force of opinion. Therefore, businesses of that character could not make decisions purely from the point of view of immediate profit.

A bank certainly cannot make every decision from the point of view of immediate profits. It has to look to the future development of its business, to the welfare of its customers. A bank cannot prosper unless its customers prosper. It has to have regard I would think, for the welfare of the area, in which it operates; and certainly this would be more true of a regional bank than of a bank spread all over the country without attachment to any one particular place.

Mr. HORNER (*Acadia*): To some extent, though, you would agree that it would have to operate for the general good of the public?

Mr. COYNE: Let me put it negatively if I may in order to clarify this. I do not think a bank should ever make a loan which it thinks will result in a loss. That is a job for governments, not for private enterprise.

Mr. HORNER (*Acadia*): I agree with this.

Mr. COYNE: That is an obvious point to make.

Mr. Horner (*Acadia*): Do you not think that in granting a charter to a bank the bank has to some extent an obligation to the people of Canada?

Mr. COYNE: Of course it has.

Mr. HORNER (*Acadia*): It has an obligation to work to the general advantage of all Canadians, and so on?

Mr. COYNE: I think it should conduct its affairs in such a way as to earn a profit in its operations which are for the general benefit of Canada. I can give a particular application of this in, let us say, western Canada. You might very easily find some new industry worth being established and the question will arise, "Should the bank make a loan to it?" If it were a purely commercial operation standing on its own feet, ordinary banking principles would apply. You might find however that public bodies were going to help finance this industry, and government bodies would want them to be assisted. The Government of Canada now encourages the banks to make certain types of loan to homeowners, to farmers, to fishermen and various people, and they give a government guarantee on those loans, or on the mass of the loans if not on each individual one. That might very well happen in western Canada if there were some industry that governments in that area wanted to encourage, if they were to put in part of the capital and needed a bank loan, and specially, of course, if they gave a guarantee on it. That is a way in which the Bank of Western Canada could cooperate in the public interest.

Mr. HORNER (*Acadia*): To follow up the idea that the western Canada area generally is an excessive deposit area, if I may abbreviate what has been said today and on Tuesday, you people are moving in mainly with your head offices and operation in Ontario. I have tried to obtain from you in what direction you hope to make the loans and in what direction you hope to use this. I received no satisfaction in answer to my questions on Tuesday, and I could not quite believe that your group has not made a thorough study of industry, the construction industry, the oil and gas industry, the potash industry in Saskatchewan, for example, and the combination of all three in Manitoba. I am sure you must have made a study and come to the conclusion that there is a need for a bank to fill a vacuum in any given area.

Mr. COYNE: Now you are talking in terms of public utilities, because there are branches already. If there were only a single bank in Canada your

argument would apply, would it not? You would say we have one, we do not need another. I am not looking at it from that point of view.

Mr. HORNER (*Acadia*): I am looking at it from the point of view that a charter for a bank in Canada is a pretty special privilege, and the Porter Commission agrees. At the beginning of Chapter 18 the Porter Commission said that banks today still exert a tremendous influence upon the economy of the country and the society of the country. It is my opinion, and I think my opinion is borne out by the Porter Commission, that it is a tremendous privilege; and I think to some degree it is very much like the case of a public utility. Because it is a charter granted by Parliament it should be operated with this in mind, although maybe not directly following the guidelines of a public utility.

Mr. COYNE: We will operate with this in mind to the same extent as the other banks do and to the extent that Parliament desires this to be done. I agree that the granting of a charter by Parliament is a privilege, but surely there is a purpose in granting those privileges. The wider one opens it up the better it is in the public interest and the less of an exclusive and special privilege it becomes. Part of my case in approaching this whole thing is that to have it confined to just a few hands is too much of a privilege. I think you invite nationalization and socialization of the banking system to have it in so few hands.

● (10:30 a.m.)

Mr. HORNER (*Acadia*): I would like to follow up this line of questioning. Reference has been made to a lessening of the public utility aspect. Mr. Stevens pointed out that it was a tremendous thing for Canada that Canadians were starting a new chartered bank. The last two were started with foreign money.

What would happen if a large number of Canadians appeared before this committee or, say, three or four individuals, who had raised the required amount of money, to ask for a charter? What I am really suggesting is, does it really matter? You have 5,000 western Canadians along with your preponderance of power in the 56 per cent ownership.

Mr. COYNE: Well, Mr. Horner, I think it matters a great deal. I would hate to see a group of only three or four come along without any evidence of who was going to own the bank or benefit from its operations or profits.

Mr. HORNER (*Acadia*): But, they could do as you do and say: "Oh well, these shares will be on the market and they will be bought and sold." Of course, this is the way the existing banks were started. But, no one has raised the capital first and then came to parliament and said: "We are ready now; give us a charter." But, people came and said: "Give us a charter; we have satisfied the provisions of the Bank Act."

Mr. COYNE: Parliament has never turned down any application for a bank charter.

Mr. HORNER (*Acadia*): Have you any idea what percentage of the existing banks any group or any corporation holds?

Mr. COYNE: Today?

Mr. HORNER (*Acadia*): Yes.

Mr. COYNE: No, I do not have exact figures, but I think the banks have said that their shares are now very widely dispersed and that there are no large single holdings. But, they did not start that way.

Mr. HORNER (*Acadia*): I am not interested in the way they started. As you know, banking conditions at turn of the century were much different from what they are today. We now have the Bank of Canada and so on.

Mr. COYNE: Yes.

Mr. HORNER (*Acadia*): We are now branching out into a whole new concept. We now have your application and there will be two more in which requests for charters are made. This is what bothers me. Since this application came before Parliament—and I am taking note of the Senate committee's proceedings of two years ago—British International have gained more control, as I interpret the situation, than they had then. It is all very well for you to say that after the charter is granted you will proceed to disperse. I am of the opinion that as soon as the charter is granted the value of the shares may go up on the market.

Mr. COYNE: Well, that is everyone's hope—that is, everyone who has bought shares in anticipation will hope that the value will go up.

Mr. HORNER (*Acadia*): During the Senate proceedings, Mr. Stevens, you said that nearly \$6 million was raised through the sale of trusteeship money and that this amount was taken up quickly. If that was the case why was not more issued at that time? Why do you feel you had to hang on to it? And, even since 1964 you have gathered up more of this trusteeship money.

Mr. STEVENS: I am not sure what you mean when you say our control has increased. I do not think any figures which I gave on Tuesday would indicate that B.I.F. will own more of the Bank of Western Canada.

Mr. HORNER (*Acadia*): I say they do because you own 49 per cent through Canadian Finance and Wellington and you own 3 or 4 per cent in respect of York Trust; then we have British International Finance Trust in Nassau, which owns 5 per cent, according to what you told Mr. Grégoire the other day. If you total that up it comes to 56 or 57 per cent.

Mr. STEVENS: Then there was a misunderstanding. The Nassau reference was in respect of our holding in Wellington Financial, but the Nassau Company holds nothing directly in the Bank of Western Canada.

Mr. HORNER (*Acadia*): I thought they had some shares.

Mr. STEVENS: No. Our interest in the Bank of Western Canada is as pointed out at the time of the Senate hearings, approximately 50 per cent.

Mr. HORNER (*Acadia*): At the time of the Senate hearings it was pointed out by Senator McCutcheon that these three companies as set out in the evidence, would have a total of 250,000 shares, or 43 per cent of the capital. According to this chart and what is laid out thereon you are going to have a controlling interest of 52 per cent even with my misinterpretation in respect of British Financial Trust in Nassau.

Mr. STEVENS: But, if you read further on you will find that Senator McCutcheon said that perhaps his arithmetic was wrong.

The position at the time of the Senate hearings is exactly the same as it is today with reference to B.I.F. participation in the Bank of Western Canada.

The 43 per cent figure you refer to was a figure he came to prior to the hearings, and I think you will find in there a reference to the fact he feels he may have obtained the wrong figures.

Mr. HORNER (*Acadia*): I read the evidence two or three times, but I could be wrong.

Mr. STEVENS: But, for the purpose of clarification I could say that the position has not changed with regard to B.I.F. participation in the Bank of Western Canada.

Mr. HORNER (*Acadia*): I will accept your interpretation although to me it appeared otherwise. You said in the Senate committee hearings that the sale of trusteeship shares was quickly gobbled up. Why were not more sold?

Mr. STEVENS: Perhaps Mr. Ritchie could answer this question better than I could. But, sale of an issue is a much less predictable thing than you would ordinarily expect. When you do issue the sale you are hopeful that it will be well received, but sometimes it misfires. As far as we could estimate, in talking with our financial people, they were willing to distribute the shares—that is, the \$13 million figure—and it seemed to be an easy mark to reach without running the danger that the issue would not be well placed.

There is a second problem. Under the Canadian banking system banks can go up on a leverage basis to as high as 20 times the capital. You will note in the 1965 statement that some are as high as 21 times. With \$13 million this would mean that we could go over the quarter billion dollar size as a bank. It will take us some time to get to that size. And, it would be unfair to the shareholders to have such a wide base that it would be years before they get a return on their capital—that is, a fair return.

● (10: 40 a.m.)

On this question of a bank's relationship to the public and the privilege which may be granted to us, I quite agree it is a privilege to have a charter and that you should conduct a service for the public; but I think you have to bear in mind it is the shareholders who are entitled to some return on their money. In this very point it may be helpful to note what Mr. McKinnon of the Canadian Bank of Commerce said at the last annual meeting. This is set out at page 32 of their annual report: "Management's job is to try and make the maximum profits they can possibly make for the shareholders."

Mr. HORNER (*Acadia*): I do not expect you to lose money and, in fact, I think it would be awful if you did. I would like to multiply the money I have in my sock twenty times so that I might be able to eat.

Mr. BASFORD: Then put it in the bank and not in stocks.

Mr. HORNER (*Acadia*): But, I am still not satisfied with your decision to obtain \$13 million. Why did your controlling companies immediately gather up \$6 million, or a little over, of this amount of \$13 million. Why did they not say that perhaps 30 per cent interest would have been effective control. Would this not be enough in view of the fact that the trusteeship money was being taken up very fast, to use your own words.

Mr. STEVENS: On that, I made a reference earlier to one of Mr. Basford's points, that when you are raising capital you, in effect, enter into an agreement with your financial advisers and those who say they will take the responsibility of raising the capital. Now, a point that they put a lot of emphasis on is whether the people who are organizing the venture are willing to put their own money; and I think if you went back through the history of most of our companies you would find we have followed a pattern where we put up half the

money and then there is a general public issue for about half of the money. Now, the investing of dollars in this way has been found to be a good selling point when offering shares; in other words, the people behind the organization have enough confidence in it that they are willing to place their own capital in the project.

Mr. HORNER (*Acadia*): I do not deny the fact that it would be a good selling point, but the fact is, was it needed? Again, I remind you that you are asking parliament for a privilege. But, was it necessary that together with your holding companies you had to have over 50 per cent of the capital when the other shares were gobbled up so quickly? Would the shares not have been taken up nearly as fast if you had a 30 per cent interest?

Mr. STEVENS: Well, it is difficult when you get into these relatives, but I would say they would not be taken up as quickly.

Mr. HORNER (*Acadia*): I understand that but would it have been taken up fast enough? I think it would.

Mr. STEVENS: That is a matter of opinion.

Mr. HORNER (*Acadia*): Why do you think that in the proposed banking legislation last spring the Minister of Finance suggested that no one person or corporation should directly or indirectly have more than 10 per cent?

The CHAIRMAN: Mr. Horner, I think your question is of some interest but at this point I do not know how it relates particularly to the bill which has been referred to us. Could you re-phrase your question?

Mr. HORNER (*Acadia*): Mr. Chairman, I would suggest that my question does relate very directly to the bill because we have people before us who have a 52 per cent ownership and the proposed banking legislation of last spring suggested it should be limited to 10 per cent. This bank legislation is still to come before parliament. Because of this I think it is a very pertinent question.

Mr. STEVENS: I think in that bank legislation there is provision for the formation of new banks and that it is allowed that such banks probably will need higher proportions of shares in the hands of the organizers. When the legislation was announced we, in no way, felt it would be harmful to our group or to our proposal, and we were quite willing to abide by the terms laid down in that legislation.

Mr. HORNER (*Acadia*): Yes; if you got the charter before the legislation becomes effective I would think you would be because, as I say, you are going to have to sell off something of the order of 40 per cent of your holdings.

Mr. STEVENS: Not necessarily sell off; it could be sold off or it could be that we will not exercise our rights as far as capital is concerned; in other words, we will sell our rights and, in that way, diminish our percentage ownership of the bank.

Mr. HORNER (*Acadia*): What do you mean by selling your rights?

Mr. STEVENS: The only way a bank can raise capital is through a rights issue, which is a pro rata rates issue to all its shareholders. At our first rights issue roughly 50 per cent of this will go out to the general public, the other 50 per cent would go to our group. What I am saying is that we will not exercise these rights but we will sell them off.

Mr. COYNE: There is another way that could happen. We must remember that this is quite common in the financing of companies and their growth in Canada. Mention was made of the case of the telephone company. I think you will find in the case of the other chartered banks that the same thing happens. There were some with large holdings at one time but these holdings were gradually diminished by various methods.

I think there is another method that could be undertaken, if it was desired, in accordance with the policy of the government. The controlling shares, which you are speaking about, are not owned by one person but by public corporations which have many thousands of shareholders and these corporations could, if they would, distribute the shares in the bank to their own shareholders. This is another way that it has been done in the past. Without selling them on the public market they could distribute them as a return of capital to their own shareholders. There are no technical difficulties in the way of reducing the degree of control. It remains to be seen what public policy is and what the desire of parliament is in the matter. We will have no difficulty in doing what is desired.

● (10: 50 a.m.)

Mr. HORNER (*Acadia*): But, the thought that bothers me is that, through one way or another, you are going to have to reduce your controlling interest in the bank after the new bank legislation comes into effect. The stock then will be on the market; you will have had a charter and, without a doubt, the stock will go up and you will make a tidy profit, and capital gains, income tax and so on has not even come into the picture. This is the way it looks to me but perhaps I have oversimplified it.

Mr. MACDONALD (*Rosedale*): But, if it goes to the corporation there is no income tax anyway.

Mr. COYNE: I know some people who do not think it is right to derive a profit, but we are trying to operate in an environment in which the object of business enterprise is to make a profit, and that includes investments.

Mr. HORNER (*Acadia*): But, this is a privilege granted by Parliament and the benefits derived therefrom should be given to as many people as possible; I do not think in the issuance of your trusteeship money that this has been the case. I do not think you went far enough, and I think this is borne out by the very fact that these shares were gobbled up so quickly, to use your own words. I think if you had done it differently your application would have found greater acceptance for this privilege you ask.

Mr. STEVENS: It would be helpful to me if you would give me an indication of what, in our circumstances, you felt would have been a fair amount of the stock for us to have retained or invested in.

Mr. HORNER (*Acadia*): Well, I am not familiar with the issuing of shares or starting new companies, but I think from reading the evidence that you did not have to hold on to over 50 per cent; you could have gone down to as low as perhaps 25 per cent and still had a ready taking up of the trusteeship shares.

Mr. STEVENS: But, earlier you had mentioned 30 per cent.

Mr. HORNER (*Acadia*): I was saying you could come down to that at least, and then if it did not work, if your trusteeship money was not taken up, you could say: "Well, we are prepared to go a little farther; we will take up

another 5 per cent and perhaps the public will buy another 5 per cent." Why did you start out so high and then expect to come to parliament and say: "Give me the privilege."

Mr. STEVENS: I would like to say that the direct participation of B.I.F.—and I am talking in dollars and cents—is through Wellington Financial Corporation Limited; Wellington will end up having 32 per cent of the bank. The way we got up to the 50 per cent level is through the control route; if you include C.F.I., it will have another 17 per cent. Now, our control of C.F.I. is in connection with the common shares of C.F.I., and you will find that the distribution that you are speaking of, Mr. Horner, actually has been obtained through C.F.I. because in addition to the trustee certificate holdings which, as you say, number 5,000 there are another 2,600 people who own shares of C.F.I. Now, they put up \$3 million in total, \$2½ million to be invested in the Bank of Western Canada. In a sense, I would suggest that the western participation we speak of is already there in the form of direct participation in the bank and the fact that 2,600 people own shares in C.F.I. I can give you these figures.

Mr. HORNER (*Acadia*): You did on Tuesday.

Mr. STEVENS: Certainly, the vast majority of these C.F.I. shareholders is in the four western provinces. Now, a very quick way that we could get down to a 30 per cent interest in the Bank of Western Canada would be if we lessened our control in C.F.I. and then we would be right back to the position that you, I think, indicated would be more satisfactory from your standpoint.

Mr. HORNER (*Acadia*): I will forgo any more questions at this time.

The CHAIRMAN: Would you proceed now, Mr. Monteith.

Mr. MONTEITH: I wonder if I could make sure of just one thing. In this chart of your interrelated companies, as I understand it, everything on the top column from the Wellington Financial Corporation over to the right has nothing whatsoever to do with ownership or subscriptions or anything like this as far as the Bank of Western Canada is concerned.

Mr. STEVENS: Yes.

Mr. MONTEITH: And, the same thing applies in respect of the bottom line of the chart, including the Wellington Credit Corporation; that is, everything from there on to the right is excluded from any type of ownership of shares or subscriptions of any kind.

Mr. STEVENS: That is right, subject to any technical aspects that I may have overlooked.

Mr. MONTEITH: Is there any possibility of any of these companies having some subscription rights and this sort of thing?

Mr. STEVENS: Not of any significance. The type of technical thing to which I am making reference here is this. In the upper line, British International Finance Trust, we have made a reference to the fact that there is a holding registered in their name. This came up at the last meeting.

Mr. MONTEITH: Yes, but what was that?

Mr. STEVENS: That was a block of Wellington Financial numbering about 200,000 shares.

Mr. MONTEITH: Of Wellington Financial?

Mr. STEVENS: Correct. Actually, the 52 per cent interest that is shown by B.I.F. in Wellington Financial would include that block that is currently registered in the name of their wholly owned subsidiary, the trust company.

Mr. MONTEITH: Now, I take it that 5,197 persons have deposited \$6,450,000 covering 430,000 shares with the Canada Permanent Trust.

Mr. STEVENS: Correct.

● (11: 00 a.m.)

Mr. MONTEITH: I take it that 2,000 people have subscribed \$3,750,000 to Wellington for stock totalling 250,000 shares?

Mr. STEVENS: That is correct.

Mr. MONTEITH: I understand the Canadian Finance have taken a block of 150,000 shares, totalling \$2,250,000.

Mr. STEVENS: That is correct.

Mr. MONTEITH: While you said there are 2,600 shareholders in Canadian Finance, this really would be voted as one block, would it not?

Mr. STEVENS: It will, but the point I was making, Mr. Monteith, is that of those 2,600 shareholders, 2,400 are in the four western provinces. The only way that we have voting control at the present time over C.F.I. is through ownership of common shares. For example, if we made a distribution of some of those common shares—

Mr. MONTEITH: You could dilute your present holdings?

Mr. STEVENS: The main point I want to make is that voting control is one thing, actual ownership is entirely different in that the voting shares are a relatively small amount in terms of dollars.

Mr. MONTEITH: But the 150,000 shares of the proposed Bank of Western Canada will be voted en bloc?

Mr. STEVENS: That is correct.

Mr. MONTEITH: And the York Trust's 33,000 shares, totalling \$495,000, will be voted en bloc. Then the provisional directors have 2,500 shares, totalling \$37,500.

Mr. STEVENS: Yes.

Mr. MONTEITH: This comes to 865,500 shares.

I was interested in your discussion with Mr. Horner, and just to follow that up for one second, may I remind you that you said there would not be as much enthusiasm if you did not put in approximately 50 per cent of the proposed risk capital. The actual Bank Act only calls for approximately 1½ million.

Mr. STEVENS: One million dollars.

Mr. MONTEITH: There is a spread between that and \$13 million, but in your opinion this would certainly get it off the ground a lot faster than this sort of thing.

Mr. STEVENS: This is a point that I think is very interesting. If you went back to the Senate hearings at the time the Mercantile Bank applied for their charter, you would find that the Mercantile Bank indicated that they would be starting with \$1 million of capital, and one of the things to which great exception was taken during that committee hearing was when Mr. Muir of the Royal Bank appeared and said it was almost ridiculous for a banking concern to

think of going into business without \$1 million capital in today's banking climate. Having read that, we felt that we should not come to you in parliament and say first of all "Give us a charter and we will raise the money later" or even say that we have \$1 million, which is the minimum, because we will then be open to criticism such as was raised with the Mercantile Bank hearing in which it was said that \$1 million was inadequate. It is difficult to say what is the proper thing. The \$13 million, as you say, I think is a good base from which to start this type of concern.

Mr. MONTEITH: Do you have a list of subscribers who will be receiving the shares from the Wellington Financial Corporation if the charter is granted?

Mr. STEVENS: You mean shareholders?

Mr. MONTEITH: The list of subscribers who will be receiving shares. Do you have that list? Could it be made available to the committee?

Mr. STEVENS: Yes. It is quite a book, but although I do not know how fast it can arrive from Toronto I could have it here certainly by tomorrow. There are 2,000 names on that list.

Mr. MONTEITH: May I ask a question very bluntly? Are you on it?

Mr. STEVENS: Me personally?

Mr. MONTEITH: Yes.

Mr. STEVENS: I cannot answer offhand if I am. However, if I am on it it is not for a substantial amount.

Mr. HORNER (*Acadia*): Are the Stevens Securities on it?

Mr. STEVENS: Again, if they are, it would not be for a substantial amount. As I say, the 2,000 shareholders are a representative group. We have put up \$3,700,000. When you ask if I am personally one of them, I would guess I may have some of it but it is not a substantial amount.

Mr. MONTEITH: I do not like to get personal or anything like this but as a result of looking over the list of British International I see that the Charlebois family has quite a few. I was wondering whether you would be in a position to control their votes and whether there were any immediate family connections or how many votes out of these 2,000 you might personally control.

Mr. STEVENS: You are speaking in the context of this family?

Mr. MONTEITH: The 2,000 that are being picked up by Wellington.

Mr. STEVENS: You are speaking in the context of this family type of control. It will show up on the list but I would take it at a guess that it would be a small number, maybe a thousand or less even.

Mr. LEWIS: A thousand shares or a thousand shareholders?

Mr. STEVENS: A thousand shares—the family is not that big.

Mr. MONTEITH: I am assuming—you mentioned this yourself—that the \$0.60 per share came from an application deposited with the Canada Permanent Trust, or is it Wellington?

Mr. STEVENS: With the Canada Permanent. I can tell the number of shares there because I know what was my dividend. I own 460 shares under the Bank of Western Canada heading.

Mr. MONTEITH: That would be in the 750 that has been allotted to Ontario?

Mr. STEVENS: 460 of those are in my own personal name.

Mr. MONTEITH: How about the provisional directors? I notice they are in for 500 shares each. Have they made an application in any of these avenues?

Mr. STEVENS: I cannot be precise but to the best of my knowledge there is nothing of significance in the holdings. I think you would find most of the provisional directors would have somewhere around the 500 figure that I hold in the Bank of Western Canada trustee certificates.

Mr. MONTEITH: In the case of Canadian Finance do you have a list of the shareholders or do you admit that the 17 per cent is, to all intents and purposes, voted by yourself?

Mr. STEVENS: When you speak of me I just do not know in what context.

Mr. MONTEITH: I imagine that you have control over these?

Mr. STEVENS: I cannot really say any more than I said last Tuesday on this subject, that we have put before you a share breakdown of our various share companies. We have indicated on this chart how the various companies are interrelated with each other on a controlled basis—I emphasize that. I have gone further and given you a list of individual common shares in B.I.F. If you wish the class “A” holders in B.I.F., I could give you those.

Mr. MONTEITH: You gave us some adjusted figures on these.

● (11: 10 a.m.)

Mr. STEVENS: On the common shares but I mean class “A” holders of B.I.F. which were given at the time of the Senate hearings. If you wanted those, I could give them to you. Beyond the point of saying what is apparent there and what is apparent on the chart I cannot say any more. If you add up the number of shares in B.I.F. I own or are connected with me or my family, in voting power it is 30 per cent. In other words, I have 30 per cent including all the family holdings, 30 per cent voting power in British International Finance. That is the beginning and the end of it. If you call that effective control or actual control, it is a matter of opinion. From that point down the actual control is all spelled out on the charts that we have shown to you. I would only emphasize that control is one thing but the actual ownership of these shares is entirely different in that the real benefit of the bank and the dividend from the bank are going to go heavily, as Mr. Coyne said, probably 90 per cent or even higher, to persons other than those that would be regarded as being in my family or associated with me.

Mr. MONTEITH: Ninety per cent?

Mr. STEVENS: I am talking of the dollar value. The point I was trying to make to Mr. Horner is a thing that could probably clarify this greatly. If the Canadian Finance were taken in its proper context, when we say 17 per cent control by Canadian Finance we are talking purely on a control basis. As far as dollars are concerned, they would not own more than 5 per cent of that amount. In other words, the \$3 million in Canadian Finance is owned in the main almost entirely, or over 90 per cent of it, by the 2,600 shareholders of Canadian Finance.

Mr. MONTEITH: Of which you own 30 per cent?

Mr. STEVENS: No. I have very little direct holdings in B.I.F.

Mr. MONTEITH: What does British International control, 40 per cent?

Mr. STEVENS: No, it owns 40 per cent voting power, but in terms of actual shares, the equity of the company, it would own less than 10 per cent. I say that as a rough guess. In fact I could probably give you the figure from the 1964 statement. There has not been any material change since then. The total equity in Canadian Finance is 3,308,611 shares. Our control of B.I.F. is due simply to the fact that we own the common shares which are the heavy voting shares. They have 20 votes per share. Fifty thousand of those shares are outstanding and our group owns those 50,000 shares.

Mr. COYNE: May I interject at this point in answer to some of the questions on control because I am not interested financially to any large extent and in that sense I am not a member of the control group? This is, of course, a very typical situation and I am going to name one company in particular because it is well known and a good company, the Argus Corporation, which itself owns interest in other companies and may be said to control them. Within the Argus Corporation the control lies with the voting stock, the common stock. There is, as well, a great volume of known voting stock with minor voting power which is owned by the general public, but a certain group of people who are mainly responsible for the management of the Argus Corporation do in fact have the greater voting power.

Mr. MACDONALD (*Rosedale*): Senator McCutcheon is familiar with that.

Mr. COYNE: I am thinking for instance of E. P. Taylor. He has done a good job of building up enterprises in Canada and I admire him for it. However, this type of differentiation between ownership and earning on the one hand and control of management and direction of policies of the companies on the other hand is a familiar feature of modern industry. I do not think modern industry could get along without it on the scale on which it operates.

Mr. MONTEITH: I am not denying that point. Now we come back to the present banking system.

Mr. STEVENS: Could I finish on that, Mr. Monteith? Of that \$3,300,000, that is the net worth of the Canadian Finance, we own 50,000 shares. Those 50,000 shares are worth approximately \$6 per share, so of that amount we have about \$300,000 of the total picture.

Mr. MONTEITH: But you do have a complete voting control?

Mr. STEVENS: It is not complete. Each of the class "A" people has one vote. Here again is where I am making the reference, that that control can be reduced by us very quickly because if we sell off that 50,000 block of common shares the company is then controlled by the 2,600 shareholders who have no connection with us.

Mr. McLEAN (*Charlotte*): You are not likely to sell the 50,000, are you?

Mr. STEVENS: It is not unlikely. For example, in answer to Mr. Horner's question about how we would respond to some provision in future banking legislation, one of the very ready and quick ways in which we can respond is by selling that block off, and B.I.F. is then a non-controlled company.

Mr. MORE: Those shares have 20 votes each?

Mr. STEVENS: The common ones, yes. Of that, 2,600 that is, 2,449 of them, are in the four western provinces, 1,000 in British Columbia.

Mr. MONTEITH: Is it fair to ask what the "A" shares in Canadian Finance made last year per share?

Mr. STEVENS: The "A" shares?

Mr. MONTEITH: And the common shares.

Mr. STEVENS: They are equal in earnings. They participate equally on earnings. We have not got the report and I could only give you a guess.

The CHAIRMAN: I am wondering how this relates to the actual subject matter before us.

Mr. MONTEITH: I admit that particular question was an aside. I was wondering if the common shares are the ones that tend to get capital appreciation.

Mr. STEVENS: No, they are exactly the same as you find in Argus. There are two classes of shares. They both share equally as far as earnings and equity are concerned and they are only different with respect to voting.

I would like to make a comment here partly in reference to Mr. Horner's comment about the very buoyant effect of the market and the fact we could have sold a great deal more. It is true the Bank of Western Canada's certificates have sold with, I think, a very small exception, at issue price or higher. However, the people who have bought Canadian Finance have not done nearly as well. The shares came out at \$7 and they are currently selling at \$4.50. You can see it is not always a winning proposition.

Mr. HORNER (*Acadia*): Canadian Finance has not got the privilege of parliament that you are asking us to give you.

Mr. MONTEITH: In the case of British International, the class "A" shares carry one vote and the common shares carry ten votes. Is that correct?

Mr. STEVENS: Yes.

Mr. MONTEITH: Instead of going through all this I will ask whether you agree with Mr. Horner that 50 per cent of the new Bank of Western Canada stock is going to be controlled by yourself or your associated companies.

Mr. STEVENS: I would say, on the basis that we have been describing, that 17 per cent is in Canadian Finance and 32 per cent in Wellington Financial.

Mr. HORNER (*Acadia*): And 3 to 4 per cent in York.

● (11: 20 a.m.)

Mr. MONTEITH: Has the Alberta company applied for any of these shares in the Western application?

Mr. STEVENS: Alberta Fidelity?

Mr. MONTEITH: Yes.

Mr. STEVENS: I have forgotten. Do you remember, Max?

Mr. MAX RITCHIE (*Vice-President, Alberta Fidelity Trust Company*): When the issue came out two years ago they subscribed for 5,000 shares, but about a year later they had to divest themselves because apparently they could not qualify. At the moment they hold absolutely none.

Mr. STEVENS: Mr. Max Ritchie is the Vice-President of Alberta Fidelity Trust Company, and he is the chap I mentioned who is with Sydnie, Sutherland and Ritchie who distributed shares in Alberta.

Mr. MONTEITH: I think that is all I have to ask at the moment, Mr. Chairman.

The CHAIRMAN: I now recognize Mr. Leboe.

Mr. LEBOE: I would like to direct questions to Mr. Coyne.

Mr. COYNE, my first question has to do with the actual management of your bank, and with the anticipated bank legislation. I presume you are the person to whom I should direct these questions. If you were granted a charter you would be interested in bank legislation.

In order to guide us in our thinking will you tell us whether you favour more freedom of action in the field of mortgages on capital account or capital assets than we have today. At the moment this comes under Section 88, and it is the biggest area in which they operate. I am thinking now of certain types of mortgage for the construction of plant and that sort of thing, on which they are not allowed under the Bank Act to take security.

Mr. COYNE: That is right, unless it is in the form of a corporation debenture. They can buy a corporation debenture, including a secured debenture, so in the case of any customer which is a corporation it is possible for the bank to buy first mortgage bonds or debentures.

Mr. LEBOE: Yes, but I am thinking more of the capital loan structure, which is not in that category.

Mr. COYNE: Yes. My view would be generally in favour of opening up the Bank Act to greater avenues of investment by the chartered banks, but only in my opinion if other conditions of the Porter Commission Report are adopted and only if in fact parliament will grant more charters to more chartered banks.

Mr. LEBOE: Exactly. Thank you.

My second question is in regard to the transfer of shares. There has been some talk about this today. I am thinking in terms of parliament making some provisions for more control in that connection. I am thinking of the situation we have, for instance, with the Board of Broadcast Governors—heaven help us!

What I am trying to deal with is some protection, shall we say, for the Bank of Western Canada—I am not talking about the owners of the bank but of the Bank of Western Canada itself—to continue to exist as such without being forced into an amalgamation with one of the eastern banks.

Mr. COYNE: Yes, I think you could very well provide that bank mergers require the approval of parliament.

May I amplify a little my previous answer? My own views, of course, are now well known to you as to the desirability of more competition and more banks, and I would seriously suggest, although this is not the right moment for it perhaps, that giving greater powers and greater opportunities to the chartered banks should not be made effective until there are at least 15 chartered banks in this country, unless possibly it is made effective to banks whose total assets are less than \$500 million.

Mr. LEBOE: Would you also connect your thoughts there to some degree of Canadian control or Canadian ownership?

Mr. COYNE: Yes. I am speaking purely as an individual now. I do not know how far we can go along this field.

Mr. LEBOE: I should say I value your suggestions in this regard.

The CHAIRMAN: Mr. Leboe, we are in a very interesting area of discussion, but at the last sitting I asked other members of the committee who had questions to relate their questions rather strictly to the subject matter of the

bill because this other general area of banking is likely to come before us at a not too distant date. Perhaps I could make that comment again.

Mr. LEBOE: I think the witness did that when he gave his answer. He related the fact that he wanted to see at least 15 more banks to the suggestions that were made.

Mr. LAMBERT: Mr. Coyne did not say 15 more banks; he said 15 banks in all.

Mr. COYNE: I am speaking purely for myself. This does not represent a corporate opinion in our group.

Mr. MORE (*Regina City*): You got the word, did you, Mr. Stevens!

Mr. COYNE: I do not know whether I ever mentioned that to Mr. Stevens before or not.

Mr. LEBOE: Would it be the intention or a possibility that the trust companies which are the generators, shall we say, of this western bank would become substantial depositors with the Bank of Western Canada in the initial stages?

Mr. COYNE: No, they would not. Each of these trust companies already has its own banking connection. They maintain a bank account with a chartered bank. There is no reason why that should be changed as far as we are concerned. They might have banking connections with the Bank of Western Canada as well, but not with a view to maintaining a large deposit, because that is not how trust companies lay out their funds.

Mr. LEBOE: I was thinking about the interrelationship between trust companies and the bank. We have the reverse situation. I shall come to the reverse situation in a moment. It does have to do, Mr. Chairman, with applications for a new bank.

I might as well deal with it right now, Mr. Chairman. In many cases it has happened when a tight money policy has been in the wind, shall we say through the moccasin telegraph if you want to call it that—

Mr. BASFORD: Bankers do not wear moccasins!

Mr. LEBOE: Caribou, then.

Mr. COYNE: I have heard them described as “barefoot boys from Bay Street”!

Mr. LEBOE: These finance corporations have had the distinctive advantage of boosting their line of credit prior to a tight money policy. In my banking experience I have come slam bang up against the situation, so I know it exists, and I know from confession of very, very high ranking bankers. Many a person seeking consideration from a bank has been told to go to a finance company to get their money. The only reason they could get it from the finance company was that the line of credit previously established in the tight money policy was one the bank offered. Therefore, one could take one's loan out from a finance company and the finance company would then take the paper over to the bank and get the money that you should have got from the bank in the first place. This is the triangle.

What I am talking about is the reverse situation: the trust companies involved in this situation could make deposits with the chartered banks. As a matter of fact, I understand in the thinking of the Bank of Western Canada

there is something along this line in regard to other ways in which they intend to expand their banking business if they get the charter.

Mr. BASFORD: It is all going into the Social Credit education fund!

Mr. LEBOE: That is a good place for it. We need more education.

I think it is an important area and certainly it would seem to me that on the basis of the possibility of expansion it might even be desirable.

● (11: 30 a.m.)

Mr. COYNE: It has not entered into our thinking.

Mr. LEBOE: That is fine.

There is very much more I would like to speak about, Mr. Chairman. For instance, I would like to ask a question about deposits and loans. However, I will skip that for the time being.

I am thinking now of the conflict of interests. I am speaking of some of my, shall we say, bitter banking experiences. After all, you want to be a bank in western Canada, and that is where I live; and there are a lot of people like me in western Canada.

Mr. MACDONALD (*Rosedale*): Not too many!

Mr. HORNER (*Acadia*): Oh, yes, there are many.

Mr. LEBOE: There are a lot of cases where corporations may be interested in your area for a certain particular reason. Without going into the reasons, let us say they have very, very close relations with the directors of the bank. Their influence in connection with the consideration of someone else has entered into the picture. This is where I think there is a strong argument for more banks, because if there are more banks one can move from one bank to another in order to avoid a situation of this nature.

Let me cite the example of a sale of a large property in which there was direct influence—which could not be proved but which was known—from the directors and the corporation that was involved. In this case a change of bank by the customer did eliminate the difficulty. I am wondering whether or not you have given consideration to this as one of the things in actual banking practice that you would put forward as an argument for having more banks in Canada.

Mr. COYNE: Yes, I think that is a good point. What you say is that an applicant for a loan finds his application is considered by a board of directors or a committee of directors which includes competitors of the applicant who obtain private information therefore about his affairs. It may or may not influence them; if they are able to conduct their minds in a certain way, it does not influence them, and they give the application its proper consideration. But it is not very satisfactory to the party concerned.

Mr. LEBOE: That is the point.

Mr. COYNE: As you say, if there were more banks, there would be less chance of this happening.

Mr. MORE (*Regina City*): There would be if one did not have collusion to such an extent that you could not move.

Mr. COYNE: The more banks there are the more likely you are to find a bank which does not have one of your competitors on its board.

Mr. LEBOE: There is one other question I want to direct to Mr. Stevens. This comes out of some remarks he made about overhead.

I understand you will be the President of the Bank of Western Canada.

Mr. STEVENS: No. I would be a director and probably an executive officer. It is not definitely decided, but it is much more likely that Mr. Coyne would be the President.

Mr. LEBOE: The question relates to overhead. In the case of B.C. Electric, for instance, in certain circumstances it was what we might call just a very pure way of extracting the cream of the business. Have you any idea what the amount of overhead in directors would be in the institution, cost-wise, in salaries? Would they get a dollar a year or five dollars a year?

Mr. STEVENS: It is more than a dollar. This is spelled out in some of the annual reports pretty clearly. May I just take note of that question? I will see if I can come up with the figure for you.

Mr. LEBOE: There is one other thing I would like to ask.

Yesterday I asked you a question about real estate and you said you would be able to give me the answer later.

Mr. COYNE: It bore on this question of whether a bank could own a company which in turn owned real estate, did it not?

Mr. LEBOE: Whether it could loan money to a fully owned subsidiary of the bank, which is the real estate branch of the bank.

Mr. COYNE: I understand under the Bank Act the bank may carry on some of its operations through a subsidiary company. I think, though I do not really know this for certain, that some of the banks have wholly-owned subsidiaries which own real estate in which the bank is located—the building. The Bank Act provides that if the bank does have such a subsidiary it must make a special report on it in its annual report; it must give the balance sheet and operating results, I understand, of the subsidiary. I gather it can make loans to such a subsidiary in the same way as it can make loans to anyone else.

Mr. LEBOE: I do not want you to get me wrong; I think we have one of the best banking systems in Canada today. I may be wrong because I am not a banker, but that is my view. I think this is important so far as the Bank of Western Canada is concerned for the simple reason that if by the deposit of certain funds with the Bank of Canada the ability of that particular bank to loan money on a ratio basis is increased—roughly, shall we say, twelve times, just to take a figure out of the hat—it would provide a way in which the bank itself could loan to its subsidiary real estate company funds at a much more liberal rate to expand the necessary facilities for meeting the demands of the public in connection with the operation of the bank itself.

Mr. COYNE: I do not follow that. I do not think it would make any difference whether a company to whom it made a loan was wholly owned by the bank, partly owned, or not owned at all.

Mr. LEBOE: As far as the operation of the Bank of Western Canada is concerned, surely it would make a difference if you put a deposit in the Bank of Canada because that would increase your ability to make loans.

Mr. COYNE: It would not increase our ability to make loans. It might increase the ability of the whole system. As far as we are concerned, we do not

place a deposit with the Bank of Canada in order to increase our ability to make loans. We only place a deposit with the Bank of Canada because we are required to do so. It is a non-interest bearing deposit, so why should we do it? We are required to do so as our deposits grow, and the first thing that has to happen is that our deposits have to grow.

Mr. MORE: How is the rate on savings deposits determined? Are you restricted under the Bank Act to a maximum figure?

Mr. COYNE: You can pay anything you like in Canada. In the United States they are controlled by federal authorities.

Mr. MORE: How is it then that they are all alike?

Mr. COYNE: I will be in a position to answer that in a few months time if you grant our charter.

Mr. LEBOE: I have just one more point and then I will finish.

Are you saying, Mr. Coyne, that the amount of money you have on deposit with the Bank of Canada in reserves has no bearing on the amount of loans that you can make? This is hardly true, is it, according to the testimony of Graham Towers before the Senate committee?

Mr. COYNE: I certainly will not challenge the testimony of Mr. Graham Towers, but I will have to leave that for another occasion because it goes into the whole theory of monetary policy. As far as a small bank is concerned, it cannot make loans unless it first acquires deposits.

Mr. LEBOE: It certainly can make loans if it has a deposit with the Bank of Canada.

Mr. COYNE: No, that has no bearing on it at all. All that means is that instead of making a loan at interest, we have made a loan to the Bank of Canada and obtained no interest on it.

Mr. LEBOE: But you are allowed to expand your credit as a result of that deposit with the Bank of Canada?

Mr. COYNE: I am sorry, sir, my view is that you have got it backwards. It is the other way around. Because you expand your loans and deposits, you must put a deposit with the Bank Canada. As I say, I really do not think I can get into a discussion about that today.

Mr. LEBOE: I will not get into an argument with you about which comes first, the chicken or the egg, because the result is exactly the same, I will leave it at that. But, I think if you look at the testimony of Mr. Graham Towers you will note he put it the other way around. But, as I say, it has the same result.

● (11:40 a.m.)

The CHAIRMAN: Gentlemen, before we proceed to the next member who wishes to ask a question, I would like to take a moment to discuss our procedure.

It is now 11.45 a.m. and this committee does not have permission to sit while the House is sitting; the order of the House was only for last Tuesday.

Mr. Lambert has indicated that he wants to ask some questions and I believe Mr. Horner has some further questions. Also, there may be others who have not participated at all in the second round of questioning. Are there any who have not participated in the second round and who would like to put

further questions? If not, I would ask someone to make a motion that we ask permission to sit today while the House is sitting.

Mr. MORE (*Regina City*): I so move.

Mr. McLEAN (*Charlotte*): I second the motion.

The CHAIRMAN: A motion has been made by Mr. More and seconded by Mr. McLean that we ask permission to sit today after the Orders of the Day.

Motion agreed to.

Mr. LAMBERT: Mr. Chairman, I hope that running with cap in hand every time we wish to sit while the House is sitting does not become a practice. I think this problem has to be cleared by government policy. We will have to take the necessary steps to clear this up because it is nonsense to go running with cap in hand to the House every time we have witnesses appearing before us. We have a courtesy to show these witnesses and we also have a responsibility to get on with the business which has been referred to us. This is a most inefficient way of conducting our business.

Mr. BASFORD: I agree with the comments made by Mr. Lambert.

Mr. HORNER (*Acadia*): Are we going to sit until 12 o'clock today?

The CHAIRMAN: That would be my suggestion, and then we would adjourn to the call of the Chair. If an order to sit after the Orders of the Day today is granted we will do so and, if not, I suggest we meet tomorrow morning from 9.30 a.m. until 11 o'clock.

I personally feel, as your Chairman, that we are rapidly approaching the time when the members of the House will have to decide whether we can sit without going back to the House on each occasion, when the need seems to arise. In my view, this request should be finalized at some point in the near future, not only as a courtesy to the witnesses who from time to time appear before us but in order to permit this committee to carry on the work with regard to matters referred to it by the House. This is a matter with which parliament itself would have to deal. It is a matter which I think various members of the committee representing the various parties who are here should take up with their particular House leaders so that when the question does arise it will be possible to decide it without undue or lengthy adversary discussion in the House.

I will now recognize Mr. Lambert.

Mr. BASFORD: The Chairman should be more aggressive in his conversations with his House leader.

The CHAIRMAN: On that particular point, I think this is a subject which should be carried forward in equal measure by all members of the various parties of this committee to their respective leaders. I do not think this is the time to get into a discussion on the question of responsibility. This is a matter which must be taken up and clarified with the various parties.

I would now ask you to put your questions, Mr. Lambert.

Mr. LAMBERT: Mr. Chairman, I would refer Mr. Stevens to the testimony given in 1964, at page 63 of the transcript, and I want to go back to the same testimony to see whether certain things still apply. We must bear in mind that although we are anticipating banking legislation we do not know what the government in its wisdom is going to bring forward. With the change in the

Minister of Finance there may be a complete reorientation in respect of certain provisions of the act.

In the evidence given before the Senate Banking and Commerce committee in May, 1964, this question was put to you by Senator McCutcheon:

In selling that control you would thereby transfer effective control of Wellington, effective control of York, and possible effective control of C.F.I.

That is, if you were so inclined. And, your answer to the question was:

I think if you use the word "effective" it is generally true, yes.
Does that answer still apply?

Mr. STEVENS: Yes.

Mr. LAMBERT: And, by doing so you would be disposing of effective control of some 430,000 shares in the new bank.

Mr. STEVENS: Again, I would say in the context we described, that is true.

Mr. LAMBERT: Now, notwithstanding the provisions of your charter that prohibit foreign holdings you could still transfer as of today effective control in a new bank to a foreign group—and I am assuming that there is no change in the Bank Act, in the general banking legislation with regard to foreign holdings.

Mr. STEVENS: You mean if our bank bill is proposed and passed?

Mr. LAMBERT: Yes.

Mr. STEVENS: No. If we sold, the prohibition against foreign ownership would extend through in effect, upstream to some foreign interest who, in turn, would then control B.I.F. I would have to call on our legal adviser in respect of this but I think that is true.

Mr. LAMBERT: Well, to refresh your memory as to the testimony given at the time—and I do not know whether or not you have a transcript of this evidence—this question was put by Senator McCutcheon:

Would you consider that 43.3 per cent of the shares of a bank held by one group would constitute effective control of the bank?

Your answer was: "Yes".

I continue:

Senator McCutcheon: So that despite the provisions in your charter that prohibit foreign holdings you could convey effective control of the new bank to any foreign group you wanted to very readily.

Mr. STEVENS: Except that we will not, and we will give any agreement or assurance to that effect that is required. Any company holdings that we have set up have been deliberately set up by us to be able to show that there is control in firm hands. We will give any assurance that is required that that control will not go out of the country.

Senator McCutcheon: I suggest that you could only give that assurance with regard to yourself, and that having sold, as some people do sell, this assurance cannot pass on down the line.

Now, this is what I want to be sure about.

● (11: 50 a.m.)

Mr. STEVENS: I would be pleased if you could read Senator Leonard's reply.

Mr. LAMBERT:

Senator LEONARD: It could be put in the statute, if necessary. If there is any question then put it in the statute.

There would have to be a special provision in the act chartering the Bank of Western Canada, but whether such an entailment would be effective, I do not know. In any event, it is quite conceivable that even though your intentions were pure that it should not pass to foreign control it is theoretically possible today that if the Bank of Western Canada was granted a charter a month later you and your associates could sell effective control to another group who, in turn, could sell to a foreign group. Does that situation apply?

Mr. STEVENS: My understanding is no, but I will have to call upon our legal adviser in that respect.

Mr. LAMBERT: Let us have the answer because, to me, it is a problem.

Mr. D. GORDON BLAIR (*Parliamentary Agent*): This whole matter of the shareholdings in the company is dealt with in clause 5 of the proposed bill, and the main effect of this clause—and I think I can summarize it—is that the non-resident shareholdings in the company in the aggregate amount cannot total more than 10 per cent. Then, there is in subsection 8 of the clause a definition of non-resident which not only includes a natural person who is not a resident of Canada but also any corporation which is by any means whatsoever under the control of a non-resident of Canada. So, to the fullest extent possible provision has been made here for prohibitions against transfers of shares which would have the effect of transferring more than 10 per cent of the share capital of this company to non-resident natural persons or to corporations which are controlled by non-residents.

Mr. LAMBERT: But surely you will agree with me that the definition of non-resident or resident in Canada is your qualification in giving it, and Canadian content is just window dressing. May I with the greatest respect, say that there are a number of ways whereby Canadian laws are defeated in this regard. All a foreign owner would have to do is transfer his man to Toronto or Winnipeg; he becomes a resident. Or, you could have some people from, say, London or France, because all it means is residence.

Mr. BLAIR: Perhaps I should have gone into this in greater detail. What Mr. Lambert is saying, of course, is if the only requirement is that the registered shareholder is a resident of Canada, then some dummy could be put up as the shareholder with the effective beneficial share interest being held by a non-resident. Now, this has been provided against by subsection 3 where it prohibits transfers to nominees, agents, trustees or other people acting on behalf of non-residents. And, subsection 6 is an unusual and, I would think, an exceptional provision, which provides that the directors are empowered to take whatever steps that are necessary to satisfy themselves as to what particular interest is being represented in any shares being presented for registration.

Mr. MACDONALD (*Rosedale*): Mr. Chairman, on a point of order, I was about to put some questions in respect of clause 5 of the bill last Tuesday but I was ruled out of order at that time and advised to put the question again when we

were going through the bill clause by clause. If we are going to deal with this matter at this time I would ask permission to put my questions.

The CHAIRMAN: Your point of order is well taken. The purpose of calling the preamble was to permit questions and discussions on the broader aspects of this matter and I think it would be harmful to the general orderly conduct of business if we went into clause by clause study at this point.

Mr. LAMBERT: An answer was given in respect of the possibility of what I was looking at and we have been advised that this is prohibited by a statute. I suggest we now know what the problem is and when we come to clause 5 we will actually see whether it does. This has been the sole extent of my questioning at this time.

Mr. STEVENS: I can say that when we originally drafted the bill it was certainly our intention to stop any possibility along the lines you suggest, and if the provisions are not adequate I am quite willing to have them amended in whatever way it is found necessary to make them foolproof.

Mr. LAMBERT: It is not so much with you and your group; it concerns the people thereafter as well.

Mr. STEVENS: And, of course, every existing chartered bank in Canada is in the same position right now.

The CHAIRMAN: Gentlemen, Mr. Horner has indicated he has further questions. Perhaps I first should inquire whether there are any other members who have not participated in the second round of questioning and who would like to do so.

Mr. McLEAN (*Charlotte*): I may have one or two questions later on, Mr. Chairman.

Mr. CLERMONT: Perhaps Mr. Horner will put his question at the time we are going through the bill.

Mr. HORNER (*Acadia*): No, not the one I have in mind. I would like to put it at this time. My question arises out of the statement made by Mr. Coyne to Mr. Leboe in respect of applications for bank charters and merging of banks. You stated you feel that bank mergers should be approved by parliament.

Mr. COYNE: Yes. I am not advocating it but that would be a way, if parliament wished to retain control over mergers as well as over granting charters.

Mr. HORNER (*Acadia*): In other words, you are disagreeing with the suggestion laid out in the bank legislation last spring that bank charters should be granted by Order-in-Council.

The CHAIRMAN: Mr. Horner, this is a very important question but you have not related it to this particular bill which is before us.

Mr. HORNER (*Acadia*): I think it is related directly because here we have a group asking for a charter and there are two others who have indicated their intention to do so. In my opinion, it has a direct relationship.

Mr. COYNE: I will answer the question. I do not disagree with the proposal that bank charters could be granted by letters patent, and I would apply the same thing to any kind of incorporation; I do not see why the procedure that was adopted, for perhaps good reasons, 100 years or more ago is necessarily the best way to get companies incorporated.

Mr. HORNER (*Acadia*): Do you realize you have just contradicted yourself?

Mr. COYNE: Well, that is a terrible thing, but I have done it more than once.

Mr. HORNER (*Acadia*): But from what I understood you to say before you felt that this could be the best way for charters and mergers to be controlled.

Mr. COYNE: I did not intend to indicate I opposed the idea of granting charters by letters patent; it requires an amendment of the Bank Act. But when is it going to be revised? I do not have any confidence when that will happen.

Mr. HORNER (*Acadia*): Well, this is the whole question that comes before me and this committee must face it. Parliament is going to be presented with a new Bank Act this year; we are relatively certain of that. Do you not agree?

Mr. COYNE: I do not know. The government has said they are going to do so and that is all I know.

Mr. HORNER (*Acadia*): They are only asking for an extension of the present act until the end of this year.

Mr. COYNE: This is the third time.

Mr. HORNER (*Acadia*): This may be but if the government did not feel there was going to be new legislation presented and passed this year they would have asked for a further extension until the end of this year, would they not?

Mr. COYNE: I do not know.

The CHAIRMAN: The present discussions have to do with the business of the House and I am not too sure that it is pertinent, strictly speaking, to the matters before us.

Mr. HORNER (*Acadia*): In any case, I see that it is 12 o'clock.

The CHAIRMAN: Yes, and in the light of our previous discussions as to procedure I now declare this meeting adjourned.

The committee adjourned.

AFTERNOON SITTING

● (4: 00 p.m.)

The CHAIRMAN: Gentlemen, I think we have a quorum. I will call the meeting to order.

I believe when we adjourned this morning we seemed to be on the home stretch in a second round of questioning of Messrs. Coyne and Stevens. Is there anyone else who has not asked questions in the second round who would like to do so now?

Mr. MONTEITH: I just have a couple of questions, Mr. Chairman. As I understand it you said in evidence before the Senate committee that you were not going to use this bank for the banking of any of your companies, Mr. Stevens. Am I right?

Mr. STEVENS: Generally speaking, yes.

Mr. MONTEITH: You said you were going to maintain your present banking connections.

Mr. STEVENS: We are currently dealing with six of the eight banks. I think if they deal with us we will carry on dealing with them.

Mr. MONTEITH: There was something in the Senate evidence about a deal with the Empire Life. I think this came up after the committee had been sitting, did it not?

Mr. STEVENS: I think that is right.

Mr. MONTEITH: Would you mind explaining that?

Mr. STEVENS: That was only in reference to Canadian Finance and Investments. The Empire Life subscribed initially for some of the stock in the Bank of Western Canada, and subsequently to that they also bought 10 per cent of the voting control stocks of Canadian Finance and Investments. To the best of my knowledge they still retain that, although I cannot say for sure.

Mr. MONTEITH: Do they still have a subscription to the Bank of Canada stocks?

Mr. STEVENS: To the best of my knowledge they do. They have never told me that they sold or disposed of it.

Mr. MONTEITH: Through what medium was that done? Through Wellington?

Mr. STEVENS: No, directly.

Mr. MONTEITH: You mentioned the number of connections you had. There are only some 700 holders in Ontario, so they could not have a lot.

Mr. STEVENS: There are 128,000 shares held by 750 holders. We spoke of Empire Life. I believe this may not all be in the name of Empire Life and it would be better to say that the Jackman group took the stock. Whether they put it into their various companies, I am not sure.

Mr. MONTEITH: I do not have any more questions except the following one. Is it true that in the past banks have been opened with head offices in other parts of Canada, have then decided that eastern Canada was the best place in which to do business, and eventually have moved back?

Mr. COYNE: I am not sure if that has happened or not; perhaps Mr. Elderkin could tell you. However, banks have been started in the past—a few at least—with head offices in western Canada. Subsequently they have merged with some other banks.

Mr. MONTEITH: In your opinion, does the present charter prohibit you from doing that?

Mr. COYNE: I do not believe so. Under the present procedure, the merger, if that is what you mean, requires the approval of the Treasury Board or the Cabinet.

Mr. MONTEITH: I am just talking of changing head offices. If you get the charter and start with a head office in Winnipeg, is there anything in the present charter which would prohibit you from moving your head office back east?

Mr. COYNE: Strictly speaking, so far as the head office is concerned, that is fixed by the Act and you could not change it without coming back to parliament.

The CHAIRMAN: Are there any further questions?

Mr. McLEAN (*Charlotte*): I would like to ask a few questions, Mr. Chairman. Of course some of these bank mergers have been made for convenience. We know that. When a new bank starts out, it is going to be a few years before any money is made or any profit is made, I think. You have around 49 per cent

of the shares. Is this only 49 per cent because you want to stay at arm's length from your other companies?

Mr. STEVENS: No, it just happened.

Mr. McLEAN (*Charlotte*): Mr. Coyne has spoken about the Bell Telephone Company divesting itself of rights. Of course millions and millions of dollars were necessary to create A.T. & T. Is it your intention to divest yourself of the shares and make money in that way if you cannot organize a profitable bank in four or five years?

Mr. COYNE: The rights would not be worth very much in that case. I mentioned this as something that has happened.

Mr. McLEAN (*Charlotte*): I beg your pardon, Mr. Coyne. I was asking this question of Mr. Stevens. It was his idea that he would sell off the rights in the future and dispose of most of his stocks in order to make a profit, because you cannot make a profit in the next five or six years, I think, from running a bank. You have many shareholders in your other companies who are interested in this bank; and if their money does not make a profit in this bank, where are they going to make the profit?

Mr. STEVENS: On that point I would say that the selling off of some of our shares is always a possibility. I would say it is extremely unlikely that we would be selling off shares to any large degree in the next five years, and I could say fairly safely within ten years. On the other hand, I would think we would tend not to exercise our rights if we got to the point of raising more capital. The third possibility, a more likely one than the selling of shares in the sense you mentioned, is that the C.F.I. control position could be reduced very easily by us, and in that way that company would become uncontrolled by us and would be in the hands of the 2,600 shareholders.

Mr. McLEAN (*Charlotte*): I was not thinking of control but of profit for your shareholders. For a very small amount of cash you have control of this company, and your shareholders have quite a big investment in it. Is it going to be profitable to them?

Mr. STEVENS: I could not agree with you when you say it would be five years before it would make a profit. I do not know that we would make much of a profit in the first year, but certainly from the third year on there should be a fairly good profit shown. I would also add that the feeling of our group is very much more long-term than any immediate gain that might be made. In my own instance, I am comparatively young and basically I am thinking of a 20-year type of situation, as opposed to any immediate type of sale.

Mr. McLEAN (*Charlotte*): Then your shareholders will not profit from the bank for some time?

Mr. STEVENS: They will through dividends.

Mr. McLEAN (*Charlotte*): Do you expect to pay dividends very shortly?

Mr. STEVENS: I would say within a reasonable period we hope to be paying dividends.

● (4: 10 p.m.)

Mr. McLEAN (*Charlotte*): This is a question addressed to Mr. Coyne. I wish here to quote Mr. Graham Towers when he spoke at the 119th Annual Meeting of the Canada Life Assurance Company.

He said:

To my mind, some of the most interesting features of the economic scene in 1965 are to be found in the field of credit, both domestic and international.

In Canada, bank deposits—the major component of the money supply—rose by 2 billion and 92 million dollars, or 13 per cent in the year ended 30th November last.

Then he goes on to say:

The offset for the increased deposits in recent times has been, in the main, bank loans.

Further on he says:

To the extent that business activity is supported by unsound extension of credit, there is obviously a day of reckoning to be faced.

The problem of deterioration in the quality of credit has been raised on numerous occasions in recent years.

Do you agree that there has been a deterioration in the quality of credit?

The CHAIRMAN: Order, please.

Mr. McLEAN (*Charlotte*): This has quite a lot to do with this bank.

The CHAIRMAN: Could you relate your question to the bill before us?

Mr. McLEAN (*Charlotte*): I am doing so. Let me go on.

Mr. COYNE: I think it is a general experience that in boom times when it is easy to make loans there may be a tendency for people to get credit in cases which afterwards prove to be unsound, because some business ventures that are undertaken in boom times do not do so well when the boom changes to a recession.

Mr. McLEAN (*Charlotte*): Mr. Towers goes on to say:

Of course, the whole object of the exercise was to suggest that we should try to profit in the future from the lessons of the past, and also to point out that the world is in a much better position to deal with such problems than it was thirty-six years ago. But to a generation of lenders, and borrowers, who have never had their fingers seriously burnt until very recently, it is hard to get such a message across.

When you say the bank will be making money within the next two or three years maybe you belong to that generation?

Mr. Towers then says:

While all the facts behind the failure of Atlantic Acceptance and the related difficulties of other companies are not yet known, it is obvious that their lending and investment policies were unsound.

I notice a number of banks got their fingers burnt in Atlantic Acceptance. They lent them quite a lot of money.

Mr. STEVENS: I hope you noticed one other thing. None of our companies held any stocks in Atlantic Acceptance at all.

Mr. McLEAN (*Charlotte*): Do you believe that the granting of charters to a lot of new banks is going to help the deterioration of the quality of credit?

Mr. COYNE: No, sir. The new banks will be very careful indeed in the kind of loans they make.

Mr. McLEAN (*Charlotte*): I still do not think you will make money in the first few years.

Mr. COATES: Whose speech did you quote from?

Mr. McLEAN (*Charlotte*): Mr. Graham Towers at the 119th Annual Meeting of the Canada Life Assurance Company.

Mr. LAMBERT: Following what Mr. McLean has been saying, I wonder if the same strictures have always been considered when we have been incorporating various trust companies lately, because I think they are engaged in the same sort of business one way or another.

One problem that concerns me a little, Mr. Stevens, is that if we look at the Bank Act as proposed last year we see a very serious limitation on the extent of individual shareholders. On the assumption that western Canada will get its charter and that the Act, which has not yet been disclosed to us, were to be brought in, and on the assumption it will be implemented, you would suddenly be faced with a requirement to divest yourself down to the statutory limits. Unless there were some sort of phasing out clause do you not think you might be faced with an almost "fire sale" situation with regard to your holdings?

Mr. STEVENS: No. I believe what was contemplated in that bill was that we as a new company would be allowed to hold more than the minimum or the maximum that was prescribed but that we would have to agree to a plan of coming down to the limit. I believe that before we would receive our licence we would have to make our peace with the Treasury Board and adhere to what they felt was the desirable method of doing this. I would say this is something, I am fairly confident, that we would work out with the Treasury Board rather than be faced with what you call a fire sale. However, if they insisted on immediate divestment, some type of rights issued to our shareholders might be a possibility; but I would emphasize that we sincerely believe it would be wrong for a new bank to allow control to get too far away from the initial group because any other group might come in and, through a 10 per cent holding, end up controlling the bank. Therefore we do feel we have a problem in the sense that, while it would be nice to say there would be complete non-control in the initial phase, it is a very critical thing.

Mr. LAMBERT: I agree with you as a matter of pure common sense.

Mr. MACDONALD (*Rosedale*): Can I pursue this point with Mr. Stevens? As I recall it, clause 57 in the last session's bill says that the terms and conditions would be imposed by the Treasury Board itself, so that it is ultimately the government agency which would decide the circumstances under which you could do so.

Mr. STEVENS: And we have to abide by whatever they require.

Mr. COYNE: Does not the same thing apply in relation to existing bank holdings of stocks in trust companies?

Mr. MACDONALD (*Rosedale*): I think it certainly would apply with regard to any holdings of existing bank stocks.

Mr. COYNE: It could be the other way around. Instead of the case of somebody owning shares in banks, it is the bank owning shares in trust companies, and some degree of divestment would be called for there also.

Mr. MACDONALD (*Rosedale*): Under the investment powers?

Mr. COYNE: There was a list in the *Financial Post* of what banks would have to dispose of what trust companies, and obviously they could not do it overnight.

Mr. LAMBERT: If I may interject here, even under the amendments to the Trust Companies Act of last year, when the Superintendent of Insurance finds he does not like to mix holdings, the trust or insurance company is given six or nine months in which to put its house in order.

Mr. COYNE: It might take longer than that sometimes.

The CHAIRMAN: Gentlemen, if there are no further general questions at this stage, I would ask these witnesses to step aside and I would like to call on Mr. Elderkin, the Inspector of Banks. You might want to ask him questions relevant to this bill.

In the meantime I would like to draw to the attention of the committee that I have received several telegrams from people who identify themselves as among the original petitioners for the Bank of Western Canada and who urge the committee to vote in support of the bill that is before them. I do not think it is necessary to read these telegrams, but I just bring them to your attention. I might say, Mr. Lambert, these telegrams arrived several days ago. I will hand them to the clerk to be added to the files and records.

Mr. Elderkin, will you tell the committee what is your official title.

● (4: 20 p.m.)

Mr. ELDERKIN (*Inspector-General of Banks*): Inspector-General of Banks.

The CHAIRMAN: What does that mean?

Mr. ELDERKIN: I am appointed under the provisions of the Bank Act to supervise the chartered banks and the two Quebec savings banks.

The actual duty imposed on me is to inspect the banks at least once in every year to see that the banks are carrying out the provisions of the Bank Act, or at least to see that they are not violating the provisions of the Bank Act in any way, and that they are in a strong financial position.

The CHAIRMAN: What do you have to do with applications before parliament in connection with new banks?

Mr. ELDERKIN: Nothing except to answer any inquiry and sometimes to give advice.

The CHAIRMAN: Do you have any comments along those lines that you would like to make to the committee at this time.

Mr. ELDERKIN: No. Normally, as I think I have said before in other places, when inquiries are made with regard to possible incorporation of new banks we suggest that the capital should be somewhat in excess of the minimum requirements under the Bank Act, namely \$5 million subscribed and \$500,000 paid up. That is really a very small capital to start out with. We also suggest that the bank should provide out of its capital contributions some premium on

shares in order to set up a reserve to start off with because it is possible that they may not commence on a profitable basis and would not like to see the paid-up capital impaired.

The CHAIRMAN: Could you confirm or otherwise to the committee that these capital requirements have been met?

Mr. ELDERKIN: In the case of this bank?

The CHAIRMAN: Yes.

Mr. ELDERKIN: Yes, they have.

The CHAIRMAN: Mr. Lambert, may I call on you?

Mr. LAMBERT: Just what factor do you apply to the statutory requirements in order to bring, shall we say, the act up to the present-day conditions taking into account depreciation of the dollar, etcetera? Do you apply a factor of one plus 30, one plus 40, or a factor of $1\frac{1}{2}$ or 2?

Mr. ELDERKIN: No, Mr. Lambert, we have never discussed a factor in the matter. Any application that has come before the Department and before me has made provision at least for a very substantial capital contribution, such as in the present case. I think they are proposing to start off with a paid-up capital of \$8 million and \$5 million reserve. Am I right?

Mr. COYNE: Yes.

Mr. ELDERKIN: This, of course, is greatly in excess of the minimum requirements of the act.

We have had many inquiries over the past several years, almost entirely verbal with the exception of two others, and we have given them the same advice always. But with the exception of two others, none has come back.

Mr. LAMBERT: There is a question that I would like to ask if I may be allowed to ask a general question.

You will recall your testimony before the Senate Committee of some 20 months ago with regard to this application. Is there any variation in any degree or in any important matter in what you indicated at that time and what you would say now that you would care to make known to the committee? Is the situation the same?

Mr. ELDERKIN: I cannot think of anything, no.

Mr. LAMBERT: Have you any additional information that you would care to give to the committee, information beyond that which you supplied to the Senate Committee?

Mr. ELDERKIN: No, I think not with respect to this bank.

Mr. LAMBERT: Or to the banking system as a whole? I notice a rather extensive historical inquiry was made by the honourable senators.

Mr. ELDERKIN: This arose, Mr. Lambert, over the question whether a regional bank can be a success, more than anything else. I think with all due respect to the senators, the comparison with regional banks of past days is not really valid. The regional banks that did fail in past decades did not have, for instance, deposits with the Bank of Canada and were not under any supervision to speak of at all. But some of them started in almost depressed times, and some of them were of course not very honestly run.

I think it has been said before in this committee, and it has been said in the Senate committee, that every bank you have today was a regional bank at one time. It had to be. One has to start in some place. One does not start right off with branches from coast to coast; one has to grow.

The CHAIRMAN: Are there further questions from the members of the committee for Mr. Elderkin?

Mr. MONTEITH: I just wonder, Mr. Chairman, how Mr. Elderkin would explain the recent mergers of the Imperial and the Bank of Commerce, and the Toronto and Dominion Banks. It has been said that it was so they would be in a position to handle larger business.

Mr. ELDERKIN: If we were to go back over the mergers since 1954 possibly it would be helpful.

The first one was the Toronto-Dominion. They found themselves—both of them—fairly well concentrated in Ontario, percentage wise, as far as branches were concerned. But the reason they gave for a merger was that the amalgamated bank would have sufficient coverage in the province of Ontario and they could expand their resources to other parts of Canada to make a more national bank on that scale. This was the main reason for it at that time.

The merger of Barclays and Imperial was I think caused by the fact that Barclays had rather lost interest in continuing in Canada. They never really tried to become a national bank. They operated more as an agency of their parent bank than they did as a Canadian bank.

Then in turn, of course, the Imperial, which included Barclays, was merged with Commerce. The reason they gave at that time for doing so was that with the great growth of large corporations and large borrowers in Canada they would be in a better position to give accommodation with the lines of credit which were needed.

I would like to add just for the record that not one of these mergers was occasioned by any impaired financial condition on the part of any of the amalgamated banks.

Mr. MONTEITH: May I ask one further question, Mr. Chairman?

If we were faced with an amendment to the Bank Act within the next few weeks similar to the amendment that was placed before us last year, would you feel that we would be wise to accept this charter today—and you have heard the evidence, you know all about it—or do you think we should defer a decision until that is placed before us? I will go back and just say this: were it to be the same as last year's amendment, where would that put us with regard to this new bank?

Mr. ELDERKIN: I really cannot see that that is something you need to be concerned about, Mr. Montieith, because you have a peculiar legislation—or I think it is peculiar—in Canada in that when a bank act is passed it is a charter of all the banks. In effect, the charter is cancelled and the act becomes the charter. So the new bank would have to comply with that no matter what its original provisions were, unless in the charter it over-rode—deliberately over-rode—the bank act as it existed then; and again, the bank act can override that when it comes into effect. So the act always is the governing legislation, regarding the banks, no matter what is in the original charter.

Therefore, I think that is something about which you do not need to be concerned from that point of view.

Mr. COATES: Is there not a danger here to certificate holders in that if the proposed amendments to the Bank Act were of such a nature that the charter which we would grant could not secure a licence, because of the financial set-up as is indicated by the evidence, and as a result of that the bank could not become a going concern? Would there not be a danger to the people who have already invested their money in certificates?

● (4: 30 p.m.)

Mr. ELDERKIN: If I understand your question properly, you are now bringing up the point whether the bank can obtain a certificate to commence business.

Mr. COATES: No, the certificates about which I am talking are the certificates that have been sold.

Mr. ELDERKIN: You spoke about a license, which in the Bank Act, is called a certificate to commence business.

Mr. COATES: I am talking about certificates which have been purchased by individual Canadians and which will become shares as soon as the bank secures a charter.

Mr. ELDERKIN: Your applicants have already said, Mr. Coates, that they are quite prepared to bring themselves under the Bank Act when the new act is brought into effect. I cannot prophesy what is going to be in the Bank Act at all, not until Parliament decides, but I hardly think that any legislation that would be harmful to the shareholders and certificate holders of this bank would be any more harmful to this, if you will, than it would be to any other bank.

Mr. COATES: I will accept that other banks are much more broadly based in the number of shareholders they have and the fact that effective control is not so significantly indicated as it is in this particular case. The thing that concerns me to a degree is that Mr. Stevens has already given his opinion that he would not want the present financial basis of the bank disturbed, at least for a period of years, because control would be lost of the way they wished the bank to go in order to make a profit.

Mr. ELDERKIN: I am rather cynical about that sort of thing because I find that boards of directors perpetuate themselves, no matter what shares they control.

Mr. COATES: That is one of the things we have here too.

Mr. LAFLAMME: Do you not think it will be necessary to have particular provisions for newly incorporated banks when we amend the Bank Act, at least for the boards of directors, the participation in holdings, and the number of shares?

Mr. ELDERKIN: I do not think it would be proper for me to offer an opinion about what should be in the new bank act, quite frankly.

Mr. LAMBERT: Not at this stage.

Mr. ELDERKIN: This is a matter of whether there are special provisions. There were special provisions in Bill No. C-102 to which I think Mr. Stevens referred, and that is that there could be holdings in excess of the limits they prescribed for a period of time, with consent of the Treasury Board.

Mr. MORE: The Treasury Board always had the authority, though, or would have.

Mr. ELDERKIN: Only in banks incorporated in that period.

Mr. MORE: That is what I mean—authority rests with them.

Mr. ELDERKIN: That is right.

Mr. MORE: Supposing this application were to pass the House of Commons, how long would you anticipate it would be before they would get their certificate, which in effect is their goal.

Mr. ELDERKIN: The Treasury Board consists of five ministers, and I am sorry but I cannot prophesy what their action is going to be. Normally, the Treasury Board has to be satisfied that they are going to start business in a reasonable position. Probably at that time—and I am simply making a guess, if you will—in circumstances such as are likely to occur with this bank, they would probably require an undertaking from the bank about divesting some of their shares, or a large percentage of their shares, within a stated period of time, particularly if the new bill is before the House of Commons at that time and has similar provisions to those contained in Bill No. C-102 in the last parliament.

Mr. LAMBERT: May I ask a supplementary question to that?

What do you anticipate is a normal time—a matter of two or three months?

Mr. ELDERKIN: No. I think, Mr. Lambert, it would have to be two or three years in normal circumstances.

Mr. LAMBERT: I am not thinking of the period for divesting. Assuming assent to the bill, then there are certain mechanics which have to take place between the incorporators and yourself and the Treasury Board before you issue the certificate and they can open up their doors and say "We are in business."

Mr. ELDERKIN: I do not have anything to do with that particular part of it, unless my advice is asked by the Treasury Board. However, the act as it is today simply says that the Treasury Board has to be satisfied that the expenses of incorporation were reasonable. However, they can lay down special provisions before they do issue the certificate, and that is entirely within their discretion.

I would assume that if they did lay down these particular provisions and they were accepted by the applicants or by other new banks, it would not take very long before the certificate could be issued.

The CHAIRMAN: Mr. Clermont.

Mr. CLERMONT: I understand that at the end of 1965 there were about 5,500 branches throughout Canada. Do you have a rough idea how many of these 5,500 branches were in the four western provinces?

Mr. ELDERKIN: In 1965, if I remember rightly, we had about 5,700 branches throughout Canada. I am sorry, I do not have those figures in front of me. I have them in the office, and I can easily get them for the committee. Obviously, over half of the whole banking system would be in the provinces of Quebec and Ontario.

Mr. CLERMONT: And in Winnipeg?

Mr. COYNE: There were 1,641 in the western provinces.

Mr. ELDERKIN: We can get the figure for the city of Winnipeg if you wish to have it.

Mr. CLERMONT: Yes, I would like it.

The CHAIRMAN: Have you any further question, Mr. Clermont?

Mr. CLERMONT: No.

The CHAIRMAN: Mr. Macdonald is next on my list.

Mr. MACDONALD (*Rosedale*): I would like to ask a question on the point of the time limit for a certificate. I notice in Bill No. C-102 there is a time limit of one year. Presumably the experience has been that the certificate has been given one year after the letters patent become effective. Is that so?

Mr. ELDERKIN: In any of the incorporations since 1929, yes. But this did not always happen before the turn of the century.

Mr. MACDONALD (*Rosedale*): That is all.

The CHAIRMAN: Mr. Horner I think is next.

Mr. HORNER (*Acadia*): If this has been asked I apologize for asking it again. I notice in the Senate Committee report of two years ago it is stated that it is part of your job to look into and advise chartered banks with regard to certain loans they may make or when you feel they have overextended themselves in some area of their loaning. Am I right in this?

Mr. ELDERKIN: I think, Mr. Horner, not in regard to loans they may make. It is not my job to tell a bank what loans they may make. I may criticize them afterwards for making them.

Mr. HORNER (*Acadia*): Yes, that is what I mean. But you criticize them in the sense of advising them not to go any further in that particular area? Am I right?

Mr. ELDERKIN: It has happened on one or two occasions when a bank seemed to be getting overextended in one particular industry, and those were in many years past; but thank goodness it is many years past since industries were the cause of a great deal of difficulty for a bank which tried to concentrate in that way. I suppose one could give as an example the pulp and paper industry in the 30's.

● (4: 40 p.m.)

Mr. HORNER (*Acadia*): To go a little further, when looking at bank loans do you also take a look at bank deposits?

Mr. ELDERKIN: I can look at anything if I wish, Mr. Horner. If you look at the Bank Act you will see that everything is open to my inspection.

Mr. HORNER (*Acadia*): What is your view with regard to western Canada being a surplus depository area, if you understand that phrase?

Mr. ELDERKIN: I understand what you mean. In the first place, I could not give you any statistics and, if I did, I would be required to say they were not very reliable. I will tell you why I am of this opinion. It is because you have deposits that might originate in the western provinces which really were the result, if you will, of action taken by someone in the central provinces. This is also true as far as loans are concerned. It can be very true in that respect in this way: If you have a company which has subsidiaries it might be based in the central provinces but have a subsidiary in a western province, and the subsidiary

will be borrowing on its own account. So, it never has been considered that provincial statistics on loans and deposits are very reliable, and we gave up collecting them many years ago.

Mr. HORNER (*Acadia*): In other words, you can neither confirm nor deny Mr. Coyne's statement that the west has a surplus of deposits?

Mr. ELDERKIN: I cannot although I would think that it has had; I would guess it has had for the last good many years.

Mr. MORE (*Regina City*): We always knew that the east milked us.

Mr. HORNER (*Acadia*): Yes.

Mr. ELDERKIN: I think actually I would extend that by saying as long as you have, in general, substantial wheat groups in the prairie provinces you would generate a great amount of deposits.

Mr. LEWIS: If the wheat is sold.

Mr. ELDERKIN: Yes, but the deposits would be generated there.

Mr. COATES: You were speaking about mergers and the fact that they were mainly based on the fact that the banks involved were regional.

The CHAIRMAN: I would suggest to members of the committee that if they use the ear piece it enhances the volume and the interpreters would be in a much better position to give an interpretation.

Mr. COATES: The Inspector General of Banks is not having any difficulty hearing me.

The CHAIRMAN: I agree but because I know the members of the committee would like to put their questions in their normal tone of voice it would be most convenient for them to use the ear pieces.

Mr. COATES: Mr. Elderkin, you mentioned that the mergers were the result of the fact that the banks involved were regional in character and wanted to develop a more national complexion, with the result that they merged in order to be able to take on this national character. Is that correct?

Mr. ELDERKIN: No. I think that is overstating it. For instance, we could go back to Barclays Bank; they did have branches, if only a few, possibly four or five, but they had them from Montreal west to Vancouver. In the case of the Imperial they were represented, I think, in every province except one. But, what you do find is that one of the amalgamating banks may be more heavily represented in one province than another. In the case of the Toronto and Dominion banks, both were heavily represented in Ontario but they were quite differently represented in some of the other provinces. In their application for amalgamation they stated that they would complement each other in the other provinces and did not need room for expansion at that time in Ontario.

Mr. COATES: What has been their history since the merger? Have they broadened?

Mr. ELDERKIN: Yes.

Mr. COATES: That is, they have broadened their base quite significantly in the other provinces?

Mr. ELDERKIN: Yes, quite significantly.

Mr. COATES: I do not know whether you want to give an opinion, Mr. Elderkin, but if you do not care to answer any question I put to you I want you to feel free not to do so.

The concept of the Bank of Western Canada at the present time is to become a regional bank, at least for its initial years. What I am wondering about is what chance will they have of succeeding as a regional bank in view of the fact that these other banks that started out were regional in character but soon adopted the attitude that they wanted to become national. If we embark on this kind of regionalism are we, in effect, going to get ourselves involved in banking institutions merging again, thereby eliminating the possibility that we will have more competitors in the field.

Mr. ELDERKIN: I would think as far as a merger is concerned it has to be initiated by both banks, and unless the Bank of Western Canada did at some future date want to join up and amalgamate with another bank there would be no opportunity to do so. In addition, it must have, under the present legislation, the approval of the Governor-in-Council to do so; and it must present its case to the Governor-in-Council before it can get permission to amalgamate, even if the shareholders approved—and it requires two-thirds of the shareholdings in both institutions before the amalgamation can be carried out. Other than Barclays, I do not think this was such a big factor and it was possibly just a desire to get more strength and, perhaps, become larger.

Mr. COATES: Has there been any significant increase in the functions of the banks that did merge since these mergers have taken place? We were told, for instance, that three of the banks had been controlling 70 per cent of the business for 40 years. Have these bank mergers made any significant difference?

Mr. ELDERKIN: The only one of the big three that has benefited at all by this is the present Canadian Imperial Bank of Commerce; it grew from being third to being second, and at one time first, in assets; but that fluctuates between first and second.

Mr. COATES: What about the Toronto-Dominion?

Mr. ELDERKIN: It is one of the next two groups. We have the big three and then two, the Bank of Nova Scotia and the Toronto-Dominion, whose assets are roughly comparable, and then we drop to the next two—which are the Quebec based banks, and finally the Mercantile Bank.

Mr. COATES: Has the Toronto-Dominion Bank secured any larger proportion of the market since its merger?

Mr. ELDERKIN: Slightly but not very much.

Mr. LEWIS: What does Mr. Coates mean by his question? Does he mean a larger proportion than both combined?

Mr. COATES: Yes, larger than both combined.

Mr. ELDERKIN: You are speaking percentagewise?

Mr. COATES: Yes.

Mr. ELDERKIN: Not in volume.

The CHAIRMAN: Are there any further questions?

Mr. LEWIS: Mr. Chairman, I came in a bit late. If the question I am about to ask has been put I will withdraw it. Mr. Elderkin, would you care to express an opinion about what room there is for the expansion of banking institutions?

Mr. ELDERKIN: Possibly I might express the opinion of the former Minister of Finance and the present Minister of Finance, who said they would like to see new banks.

Mr. LEWIS: I beg your pardon.

Mr. ELDERKIN: I said I might express the opinion of the former Minister of Finance and the present Minister of Finance, both of whom have said they would like to see new banks.

● (4: 50 p.m.)

Mr. LEWIS: I do not want to cross-examine you, Mr. Elderkin, if that is all you can say. But, with the greatest respect for Mr. Gordon and Mr. Sharp I would like your opinion, if you think you would like to give it.

Mr. ELDERKIN: You would not expect me to give an opinion contrary to my Minister's, would you?

Mr. LEWIS: Well, I have not met you before, but if you disagreed with them I would expect you to say so.

The CHAIRMAN: If the members of the committee have no further questions perhaps I might put one to you.

I made a note of a reference in the Porter Commission report, to the evidence by one of the witnesses, and then a further note with regard to the character and standing of the applicants. Have you anything adverse to tell us about the character standing of the applicants?

Mr. ELDERKIN: When they are here?

The CHAIRMAN: Well, you may as well do it now.

Mr. ELDERKIN: No, Mr. Chairman. As I have said before, this is a matter that already has been covered. It was certainly delved into at the time they came forward with their first application and, in fact, before that in discussions with the department.

Mr. HORNER (*Acadia*): It has been said many times that more banks are needed in Canada. The Porter Commission states that this is so and you, of course, agree, and you say the Ministers do. But, your job is inspecting banks. How many more banks do we need?

Mr. ELDERKIN: Well, Mr. Horner, I do not know that I can answer that question. I have said before that I think there is room for more banks in Canada. However, the decision as to how many more banks in Canada there should be must be a matter which is eventually for Parliament. But I would certainly think there was room for several yet before the gate had to be closed.

Mr. HORNER (*Acadia*): Do you think that Parliament should grant charters to any Canadian of good character who has enough money to put up to meet the requirements, one who can raise, say, \$13 million, as is the case in this application.

Mr. ELDERKIN: I think there is a third factor which has not been mentioned too often, and this is one we do look at. Certainly, from my official point of view I would like to be assured that there was competent management. I would not be too happy, to use your expression, to have just anyone with the money and good moral character.

Mr. HORNER (*Acadia*): For example, there are the wheat pools in the west. You say we need more banks. I am thinking of the three large wheat pools in

the west. I know this may be the furthest thing from your mind. However, they are co-operatively owned, giving them a really broad basis. Practically 50 per cent of the farmers in the three western provinces belong to them. These pools are certainly operating in big business, and I think they can find competent managers. If they applied for a charter do you see any reason to refuse them?

Mr. ELDERKIN: The only point there is that, I think, if the three wheat pools, as such, were the potential shareholders of the new bank they also, provided the provisions of Bill No. C-102 were continued, would have to divest themselves of these shares within a period of time, at least down to 10 per cent each. But they might do this by distribution.

Mr. HORNER (*Acadia*): That is it.

Mr. LEWIS: In that respect, Mr. Horner, they would be no different from the present applicants, who would have to do the same thing.

Mr. ELDERKIN: That is right.

Mr. HORNER (*Acadia*): Is there a period of time mentioned in Bill No. C-102?

Mr. ELDERKIN: No. The period of time is left to the Treasury Board. They consider what a reasonable period would be in which to divest themselves.

Mr. HORNER (*Acadia*): Would it be your job to police or inspect this divesting?

Mr. ELDERKIN: Yes.

Mr. HORNER (*Acadia*): That is, to see whether or not it is done?

Mr. ELDERKIN: Yes.

Mr. HORNER (*Acadia*): In this present application they certainly would have to divest themselves. It has been mentioned that they could easily do this by getting rid of Canadian Finance and so on. But, with the conglomeration of companies being formed and the way they are formed, and the way they can divest themselves, do you foresee any difficulty?

Mr. ELDERKIN: I think, if you study Bill No. C-102, clauses 52 to 57, you will note that these come under the category of associated shareholders and they may hold within the association not more than 10 per cent of the shares.

Mr. HORNER (*Acadia*): And, you do not foresee any difficulty in policing or enforcing these clauses with regard to this present application?

Mr. ELDERKIN: The actual job of enforcing it is up to the bank, but the job of seeing that the bank does it would be mine, yes.

Mr. HORNER (*Acadia*): You do not see any difficulty in seeing that they do it?

Mr. ELDERKIN: Again, I have to rely on the provisions of Bill No. C-102. The bank will be in a position, if that is continued, to require a declaration from any shareholder as to whether he is a beneficial shareholder or holding shares for someone else. I think it is possible to police it, if you want to use that word. Again, if the provisions of Bill No. C-102 are continued, the penalties involved would make it very foolish on the part of someone to do this.

Mr. HORNER (*Acadia*): Do you feel in the establishment of a new bank in Canada a group of individuals gathering together must own a 50 per cent share of the proposed charter to start with?

Mr. ELDERKIN: Well, I do not know about 50 per cent, but I think it is very essential that you must have a management group in control to start off. That is the reason, actually, these provisions were put in the former bill—that there should be a management group to start with. But this would be a group which would have to divest itself down to a certain limit within a period of time set by Treasury Board.

Mr. HORNER (*Acadia*): You do not think this is giving that particular group a chance to make a tidy sum on the stock exchange through the sale of shares?

Mr. ELDERKIN: They might make a tidy loss.

Mr. HORNER (*Acadia*): Well, it all depends on the privilege and the value you put on it. I put a high value on it.

Mr. ELDERKIN: It all depends what the market thinks of the value of the shares. It is not the value of banking in Canada but the value of the shares, and the results that the bank has had to justify the value of the shares.

Mr. HORNER (*Acadia*): I think in the evidence brought out in the Senate hearings two years ago it was shown that the money placed in trusteeship was quickly placed, and I think this must be an indication that a number of investors think that banking or acquiring a charter for a new bank is a privilege. This would lead me to believe that the shares would go up as soon as a charter is issued because of the way the money was placed.

Mr. ELDERKIN: Well, I would not want to forecast the market.

The CHAIRMAN: Members of the committee, if there are no further questions of a general nature for Mr. Elderkin, I suggest we proceed.

Mr. MONTEITH: As you know, Mr. Chairman, several members wish to have discussions in respect of clause 5. Would it be reasonable to proceed clause by clause and leave the preamble for the present time?

The CHAIRMAN: I will call the preamble and we could ask that it stand.

Mr. LAMBERT: I move the preamble stand.

Mr. MONTEITH: I second the motion.

Motion agreed to.

● (5: 00 p.m.)

The CHAIRMAN: Shall Clause 1 carry?

Mr. HORNER (*Acadia*): Just before we agree on clause 1, I would like to ask Mr. Stevens if it is not a fact that the directors are already set up.

Mr. STEVENS: These provisional directors? I do not know what you mean by "set up".

Mr. HORNER (*Acadia*): You outline five directors in this clause. Have you not, at the managing end of this charter application, in fact decided already who the other directors shall be and how many there shall be?

Mr. STEVENS: In addition to these five? No, we have not.

Mr. HORNER (*Acadia*): Have you not made any decision? Do you not know how many there will be other than those five?

Mr. STEVENS: No, other than the fact there will be more than five.

Mr. HORNER (*Acadia*): Have you not even arrived at the figure?

Mr. STEVENS: No.

Mr. COATES: Have you arrived at a decision on where they are going to come from?

Mr. STEVENS: No.

Mr. COATES: Is there no guarantee that the new directors will not all be from Ontario?

Mr. STEVENS: You say "no guarantee"; I would say it is our intention that they should substantially come from the four western provinces. As I mentioned in my evidence, at least the majority will be from the four western provinces.

Mr. COATES: The majority of the directors?

Mr. STEVENS: Yes, at the present time.

Mr. HORNER (*Acadia*): Who will choose the directors?

Mr. STEVENS: The shareholders.

Mr. HORNER (*Acadia*): Which goes back to your 52 per cent. I only hope you will pick a few westerners.

The CHAIRMAN: Clause 1 agreed to.

Clauses 2 to 4 inclusive agreed to.

Shall clause 5 carry?

Mr. MONTEITH: May I ask whether an amendment going through the House of Commons is necessary to move the head office?

The CHAIRMAN: Yes, I understand that is the case. We have with us Dr. Ollivier who has indicated that is correct.

Mr. ELDERKIN: May I say there is a provision in Bill No. C-102, which is not continued in the legislation, which will permit shareholders to change the head office of the bank.

Mr. COATES: Under the existing legislation?

Mr. ELDERKIN: It has to remain there except by special act.

Mr. JAMES COYNE: Is the approval of the Governor-in-Council or the Treasury Board required?

Mr. ELDERKIN: No, just approval of the shareholders.

Mr. HORNER (*Acadia*): You could move east with a lot of western money, with all the surplus money that was deposited.

Mr. LEWIS: Let us stop that section of the Bill from being passed. At the present time they have to come back to parliament.

The CHAIRMAN: We may wish to consider this point when we have the revision of the Bank Act before us. It is a good thing to keep it in mind.

Mr. LEWIS: And we will remember the ogre, Mr. Stevens, when we discuss that.

The CHAIRMAN: Shall clause 5 carry?

Mr. LAMBERT: Clause 5 is the one on which it is proposed to move an amendment.

Mr. BLAIR: Mr. Chairman, with your permission and that of the committee I would like to ask Mr. J. M. Coyne, my partner, to present the proposed amendments to clause 5, together with his comments.

Mr. J. M. COYNE (*Parliamentary Agent*): Mr. Chairman, I apologize for the fact that there are only a handful of typed copies of this amendment at the moment. It is at the present moment being Xeroxed in our office, and I expect ample copies for all members of the committee will be delivered here shortly. In the meantime there is a limited number of copies available. Perhaps members would not mind sharing them for a few minutes.

Dr. P. M. OLLIVIER (*Law Clerk and Parliamentary Counsel*): I do not know whether you will decide on this today, but I could have the bill reprinted with the proposed amendment if it will be of any use to the committee.

Mr. MONTEITH: With the amendments in clause 5 only? It would be a very good idea, but maybe we could go over them now.

Mr. LEWIS: Could Mr. Coyne read them, Mr. Chairman?

Mr. J. M. COYNE: What I think might be helpful in the understanding of these amendments would be, since they are very lengthy—they go on for eight or nine pages of type—to deal rather generally with their purpose and intent, and specifically relate them to the sections of Bill No. C-102 of which they are excerpts. Then perhaps the committee might want to examine the provisions in detail. I might say that the purport and intent of this amendment is to delete the present clause 5 in its entirety and to substitute for that another clause 5, except to the extent that for mechanical reasons certain minor provisions are inappropriate in a bill dealing with the particular planning provisions for sections 50 to 57 inclusive of Bill No. C-102, which was introduced in the House of Commons and given first reading on May 6, 1965. Some of you probably have a copy of Bill No. C-102 in front of you. In my general remarks I could relate the two without difficulty, and then you would have an opportunity to look at it in more detail.

In the amendment to Bill No. C-111 the new clause 5 is clause 52 of Bill No. C-102. It repeats the language of clause 52 in all particulars except in regard to certain cross references of sections and other cross reference provisions which would have to be altered because of their incorporation in this bill.

Mr. LEWIS: What sub-clauses does that refer to?

Mr. J. M. COYNE: That refers to the whole of clause 5.

Mr. LEWIS: I thought you said that this incorporated sections 50 to 57 of Bill No. C-102. Which part of this is section 52?

Mr. J. M. COYNE: The new proposed clause 5—and there are a series of other proposed clauses following clause 5—is clause 52 of Bill No. C-102.

The proposed clause 6, the next succeeding clause in this amendment, repeats the text of clause 53 of Bill No. C-102, again with one minor alteration of a cross-reference, because in Bill No. C-102 there is a reference to section 33 of the general statute, which is Bill No. C-102 itself. In the old statute the equivalent clause was section 36, so the necessary change has been made in the cross-reference.

Clause 7 of the proposed amendment in turn repeats clause 54 of Bill No. C-102 with a few of these minor consequential changes of a cross-reference nature.

Clause 8 of the proposed amendment repeats clause 55 of Bill No. C-102.

Clause 56 of Bill No. C-102, which is the next succeeding clause in that bill, is the clause which preserves the standing of holdings in the existing banks as of a particular date. In fact there are two dates, one being September 24, 1964, the other being February 1965. To the extent that holdings in the existing banks as of those dates transgress these new provisions, there is a saving clause, clause 56, to avoid making these provisions retroactive. Since this is a new bank and there is no existing status quo, it is simply not necessary to include in this Bill No. C-111 clause 56 of Bill No. C-102, and it is left out in its entirety.

The next succeeding clause of the proposed amendment, which is clause 9, is the equivalent of clause 57 of Bill No. C-102 and that is the clause which has been discussed in committee and which applies to a new bank. The provisions in this regard, which appeared in clause 57 of Bill No. C-102 applicable to new banks generally, appear in clause 9 of this amendment as far as the Bank of Western Canada is concerned. Again the wording is identical except to the extent that certain consequential changes are necessary because this is a particular bill and the other was a general bill.

● (5: 10 p.m.)

The final clause of the proposed amendment, which is clause 10, is really the equivalent of sub-clause 9 of clause 5 in the existing bill as printed. That is the clause which simply says that these sections shall have effect notwithstanding anything in the Bank Act—that is the present act—but, unless otherwise provided by parliament, shall cease to have effect when the new Bank Act comes into effect. It is worded somewhat differently because it is made to jibe properly with the provisions of section 6 of the Bank Act which may be amended from time to time, and you will then be faced with a third amendment. Therefore, in our opinion, as the section is now drafted here, provision will be extended until the present Bank Act expires, on whatever date that may be.

I have also an amendment number 2, the sole purpose of which is to renumber the succeeding sections, sections 6 and 7 of the bill, which will become sections 11 and 12.

The CHAIRMAN: I wonder if, from the point of view of procedure, we should not have this amendment moved and seconded by someone.

Mr. LAMBERT: Often in the past we have discussed the amendments first, so that rather than making a motion to amend we had an informal discussion before moving the amendment.

The CHAIRMAN: I find that satisfactory, but I thought I would raise it to make sure there is no discussion on it later.

Mr. LEWIS: I would like to know whether the words in section 10—I am going back because they control the whole clause—"notwithstanding anything in the Bank Act" are due to an abundance of legal caution? Or is there something that is in fact in conflict with the present Bank Act?

Mr. J. M. COYNE: There is something in conflict with the present Bank Act in this sense, that the shares of banks under the present Bank Act are really transferable by statute. The effect of these provisions, sections 5 to 9, is to restrict that right of transfer and also, of course, to restrict the right of voting shares in banks in certain circumstances, or foreign holdings. All of these

matters are unrestricted in the present Bank Act, which is the reason it was put in as a drafting point.

Mr. LEWIS: I would not have thought that would be in conflict; I would have thought that was purely different. The Bank Act does not prohibit you from having this.

Mr. J. M. COYNE: Let me say this: the Bank Act prohibits an existing bank from adopting these provisions by by-law because no bank has the right, nor does any company under the Corporations Act, to restrict the transfer of its own shares.

Mr. LAMBERT: There is one fundamental difference here. In the bill the directors must all be British subjects resident in Canada. There is no such provision in these amendments.

Mr. MORE (*Regina City*): You could delete all of section 5 and that requirement will not be met. That should be "resident in western Canada".

Mr. LAMBERT: I was wondering what was the reason for this limited provision because, after all, "British subject" is not all encompassing. You might have a French national who is a resident in Canada and for all intents and purposes is Canadian except for the fact that he is not a Canadian citizen.

Mr. J. M. COYNE: I think the point is that the present Bank Act uses these precise words but says that a majority of the directors of the bank shall be subjects of Her Majesty ordinarily resident in Canada.

Mr. LAMBERT: I do not think you have that in your amendments.

Mr. J. M. COYNE: I apologize for that. This was done hurriedly.

Mr. LEWIS: Why do you apologize? I would have thought it was preferable. I would like to see "resident in Canada", but why should it be necessary to be a British subject? If the man lives and works in Canada it should be sufficient.

Mr. JAMES E. COYNE: We as the sponsors of the bill have no such views. We put this in the original bill. One way or the other, we do not mind.

Mr. J. M. COYNE: Section 21(2) of the Bank Act provides that a majority of the directors shall be subjects of Her Majesty ordinarily resident in Canada. Subclause 1 of clause 5, as it appears in the printed bill, was to extend that requirement for a majority to all of the directors. I have to confess that the fact it is not in this document is owing to inadvertence.

Mr. LAMBERT: As a matter of interpretation I would feel that the requirement of section 21(2) would naturally apply and that in any event, notwithstanding the fact it does not appear now, the majority of directors must be British subjects.

Mr. J. M. COYNE: Section 21(2) will apply to this act.

The CHAIRMAN: Would you clarify this? The present Bank Act says "a majority of directors".

Mr. J. M. COYNE: "A majority of directors shall be subjects of Her Majesty ordinarily resident in Canada".

The CHAIRMAN: But this bill, in its present clause 5, actually extends that to all the directors.

Mr. J. M. COYNE: This amendment deletes the whole of clause 5 as it appears in the present bill.

The CHAIRMAN: I wanted to make sure the committee understood the distinction.

Mr. MACDONALD (*Rosedale*): You are being less restrictive with regard to the directors than you were in the original bill.

Mr. JAMES E. COYNE: It does not make any difference. In this new clause with all the restrictions on non-resident ownership and control, there is everything that we want to see done.

The CHAIRMAN: Are there any further comments on this?

Mr. COATES: We would have to see what Bill No. C-102 had to say.

Mr. J. M. COYNE: The equivalent provision is in clause 18(3) of that bill, that is the equivalent provision of section 21(2) of the present act which says "At least three quarters of the directors shall be Canadian citizens ordinarily resident in Canada".

Mr. LAMBERT: That is better.

Mr. MORE (*Regina City*): So it is not necessary in this document?

Mr. J. M. COYNE: No. If it is the wish of the committee for me to run through these particular provisions and make comments on them, I would be glad to do so. The general purpose is really two-fold: It is to restrict the ownership and/or voting power of non-resident shareholders of banks to the extent of 25 per cent of the issued capital of the banks and to restrict the ownership and/or voting position of any individual shareholders, whether resident or non-resident, to 10 per cent of the shares of the bank.

There are also additional provisions which forbid the issue of shares or the transfer of shares to representatives of governments, including the Canadian government, provincial governments and foreign governments.

I think it is true to say that the prime purpose is the two-fold one of limiting the non-resident control that may be exercised in the banks and, secondly, limiting the extent of individual holdings, whether they be held by residents or not.

● (5: 20 p.m.)

Mr. HORNER (*Acadia*): With regard to the clause you have just read concerning governments moving in, is there any such clause similar to that? I know that was proposed in Bill No. C-102, but right now can a provincial government buy in through the existing branch, for example?

Mr. J. M. COYNE: It is my understanding that the legal opinion is held that they could.

Mr. HORNER (*Acadia*): In this bank they will not be able to do so?

Mr. J. M. COYNE: No.

Mr. HORNER (*Acadia*): Have you a hatred for provincial governments?

Mr. J. M. COYNE: No. As I said, the entire purpose of this amendment is merely to incorporate in this bill the amendments which were put before parliament in Bill No. C-102. We have merely followed virtually verbatim—in fact verbatim in all respects except for minor technical details of draft.

Mr. HORNER (*Acadia*): You have followed verbatim without too much thought?

Mr. J. M. COYNE: I am under instructions. I am a lawyer and I take instructions from my clients. I have acted, I think, in accordance with those instructions.

Mr. JAMES E. COYNE: The other Coyne is a better lawyer than I, and he deals with legal matters. However, the purpose was to meet a point that was raised and was well founded.

Our original clause may not have been adequate to meet the very carefully drafted clause which the government put into their bill last year, and which was I think drafted by the Department of Justice. I think the Minister said it was effective for the purpose. We are quite prepared to accept that clause for our bill even though it may never come into effect in a general act.

Mr. COATES: Even though the act may be changed by the proposed amendments?

Mr. JAMES E. COYNE: We provide that ultimately our clause must coincide with the Bank Act; but during this present hiatus period when we do not quite know what is going into the act, this is what we propose.

Mr. HORNER (*Acadia*): Supposing for example the new Bank Act does not contain that clause, then you will be limiting yourselves where the other banks will not be limited.

Mr. JAMES E. COYNE: Only until that is finally determined. The matter will come before you gentlemen in the House and in committee. If you finally determine that you do not want a clause of that sort in the main bill in the Bank Act, then presumably you should not want it in our bill either and it would automatically fall out at that time.

Mr. HORNER (*Acadia*): This whole amendment?

Mr. COATES: Yes, there is a section in there.

Mr. LEWIS: Look at the present section 7. Is that not what you had in mind?

Mr. J. M. COYNE: No, it is actually the present sub-section 9 on clause 5 on page 3 which now becomes clause 9 in this draft amendment. I beg your pardon, it is section 10.

The CHAIRMAN: I think Mr. Lewis is correct in drawing the attention of the committee to the existing section 7 with the marginal heading "Powers and Liabilities".

Mr. LAMBERT: But Mr. Chairman, it is a fact that every time there is a general revision of the Bank Act you are rewriting the charters of all the banks, and they are all on the same footing.

Mr. LAFLAMME: Yes.

Mr. LEWIS: We need not worry about it.

Mr. HORNER (*Acadia*): I did not want to see discrimination against this new bank.

Mr. LEWIS: You have touched his heart, Mr. Stevens; you have touched his heart!

The CHAIRMAN: Gentlemen, I believe Mr. Coyne was making a statement.

Mr. J. M. COYNE: Do you wish to go through this in detail?

Mr. LAFLAMME: No, it is useless to do so because we shall have to discuss it in the House of Commons. It is all covered by Bill No. C-102 and it will have to come before the House again. Why should we discuss it here?

Mr. LEWIS: Mr. Chairman, I have not been on this committee and I would hate to vote recommending to the House the acceptance of something which I have not yet read and certainly do not yet quite understand.

Mr. HORNER (*Acadia*): I quite agree.

Mr. MONTEITH: I think Dr. Ollivier mentioned that possibly we should have the bill reprinted. I think we should give all the discussion necessary to this clause today, then have the bill reprinted with the changed clause and meet on Tuesday morning.

Mr. HORNER (*Acadia*): I agree with that suggestion.

Mr. LAMBERT: In order to facilitate that I will move the amendment as proposed that clause 5 be deleted and that there be substituted the following, as has been prepared by counsel on behalf of the applicants.

Mr. COATES: I second that, Mr. Chairman.

Mr. LAMBERT: I also move that the bill be reprinted incorporating this change. We can then all study it.

Dr. OLLIVIER: I do not imagine that you want a general reprint. I suppose you just want just a reprint for the committee or the House.

The CHAIRMAN: Perhaps, Dr. Ollivier, you can enlighten the committee about the approach to reprinting.

Dr. OLLIVIER: It can be reprinted in two ways. It can be reprinted as to be amended if you do not carry your amendments now, or as amended by the committee if you carry them now.

My suggestion would be that there should be a reprint of about 400 copies so there would be enough for the House rather than a general complete redistribution.

Mr. LAMBERT: Make it on a working basis so that it does not have to appear through the daily check list and all that sort of thing.

The CHAIRMAN: That is why I called upon Dr. Ollivier. I presume it is your intention to have this reprinted basically for the further use of this committee.

Mr. LAMBERT: And the House.

The CHAIRMAN: But initially for the use of this committee in voting on the amendments in the balance of the bill.

Mr. MONTEITH: I think Mr. Coyne had another amendment to take care of renumbering.

Dr. OLLIVIER: I think I can do that automatically. I do not think you have to move that amendment.

Mr. LEWIS: Is the change from 10 per cent to 25 per cent non-resident capital stock holding one of the things you have changed in order to bring it into consonance with Bill No. C-102?

Mr. J. M. COYNE: That is correct.

Mr. LEWIS: I have not seen Bill No. C-102 at all. Will you inform me whether, if something like Bill No. C-102 were adopted by parliament, the 25 per cent would then become mandatory on you? Or would it still be possible for you to have a statute governing you that had non-resident holdings of less than 25 per cent?

● (5: 30 p.m.)

Mr. J. M. COYNE: On this point alone, Mr. Lewis, I think I might clarify by stating that if the present clause 5 were carried, the 10 per cent restriction would be mandatory on this bank until the new Bank Act came into effect, in which event clause 5 would disappear and the new general provisions in the Bank Act would apply. If the new Bank Act followed the same scheme in this particular as Bill No. C-102, then thenceforth the 25 per cent limit would apply to this bank as to all other banks. The effect of the amendment now proposed is to make it 25 per cent now, which would be mandatory on this bank although there is no similar provision at this moment applicable to other banks. This particular provision would die with the Bank Act, but whatever provision was in the Bank Act would take its place.

Mr. LEWIS: I understand that. What I am asking is a little abstract. Did the old bill No. C-102 say that there may not be more than 25 per cent non-resident holding?

Mr. J. M. COYNE: Yes.

Mr. LEWIS: Which to me as a lawyer, subject to the context in which that section appears, means that there may be less, but there may not be more.

Mr. J. M. COYNE: That is correct.

Mr. LEWIS: Then if I am right, there would be no conflict in law between an act setting up a specific bank providing for a lower percentage of non-resident holding than the Bank Act provided generally. That is right, is it not?

Mr. J. M. COYNE: I would agree with you as a matter of law if there were specific provision in the act dealing with the particular bank that this provision was to continue in effect notwithstanding anything that would be in the Bank Act.

Mr. JAMES E. COYNE: It would have to be in the Bank Act itself.

Mr. J. M. COYNE: It would have to be preserved by the Bank Act or by parliament in some manner.

Mr. LEWIS: Mr. Chairman, I have deliberately avoided general argument about economic or banking theory, which I thought had no place here, but I am not quite so sure that for myself I am prepared to agree, and I am not at all sure the committee should agree to increasing the proportion that non-resident stockholders may hold to the total issue of stock.

What will happen when the new bank act comes into law I do not know, but the fact is that the old act, C-111 unamended, provided for a ceiling of 10 per cent. In my humble opinion that may be sufficient. If the act gives you something else, the majority of parliament decides to give you a larger item, that is a different story, but I do not see why we should agree to this very substantial increase from the original proposal at this stage.

Mr. J. M. COYNE: Mr. Lewis, this is a matter for the applicants, of course, but according to my instructions they would have no objection to 25 per cent non-resident being reduced to 10 per cent as in the existing clauses.

Mr. MONTEITH: I would feel better about that also.

Mr. LEWIS: May I move a subamendment to the amendment—and Dr. Ollivier can draft it as far as I am concerned. I move that wherever “25 per cent non-resident holding” appears, “10 per cent” be substituted therefor.

Mr. MORE (*Regina City*): I second the motion.

The CHAIRMAN: Perhaps we might just stop a moment and make sure we are proceeding in an orderly manner. We actually have an amendment before the committee.

Mr. LEWIS: It is a subamendment before the committee.

The CHAIRMAN: The reason I raised the matter at this point was that I understood Mr. Lambert to suggest to the committee that there might be some merit in waiting until the bill is reprinted. I am not urging this on the committee; I would be quite happy to see the committee discuss this as long as they wish today.

Mr. LAMBERT: My comment was with reference to voting on it precisely to give a little more time to mature our thinking. Just as Mr. Lewis has picked up a point here, we may find some other points. After all, we are looking at nine pages of amendments here. There may be a few other little hooks in here.

Mr. OLLIVIER: Mr. Lambert, you think we should reprint the bill as proposed to be amended instead of as amended? If you do not pass all the amendments, I think I should reprint it as proposed to be amended.

Mr. LEWIS: With respect, if the legal agents for the applicants have enough copies for all members of the committee, and assuming the copies are legible, do we need any reprinting until such time as this committee has gone through the bill clause by clause? I can work from this copy just as readily as I can work from the printed version. Why go through two printings?

Mr. OLLIVIER: You have to reprint in any event for third reading.

Mr. LEWIS: Maybe we will agree to some amendments. However, it makes no difference to me.

The CHAIRMAN: Perhaps you would wish to modify your proposal Mr. Lambert, and defer your suggestion about reprinting for the moment.

Mr. LAMBERT: That is fine. With the permission of my seconder, I will delete that portion of the amendment with regard to reprinting the bill with proposed amendments.

The CHAIRMAN: And then when the views of the committee mature further on the possibility of further amendments, we might consider bringing this before the committee again.

Mr. MACDONALD (*Rosedale*): Is it in order to raise some general comments on questions about the amendments we have here?

The CHAIRMAN: I think so.

Mr. MACDONALD (*Rosedale*): I presume, and perhaps Mr. Elderkin would be the proper person to ask, that the 25 per cent limit included in Bill No. C-102 was assumed to be a safe limit bearing in mind that there may be a lot of shareholdings outstanding at the present time in the existing chartered banks.

Mr. ELDERKIN: I do not know whether that was considered, Mr. Macdonald, but it so happens that it fitted pretty well on some of the banks.

Mr. MACDONALD (*Rosedale*): There had not been a study of share records or anything like that?

Mr. ELDERKIN: You cannot tell from share records whether shareholdings are resident or not. As it turned out, there were only two banks which were around the 25 per cent level, and they are not required to reduce.

Mr. MACDONALD (*Rosedale*): So the 10 per cent might not fit very comfortably?

Mr. ELDERKIN: It fits very well.

Mr. MACDONALD (*Rosedale*): I mean 10 per cent of non-resident ownership.

Mr. ELDERKIN: Oh no, 10 per cent would not fit several of the big banks.

Mr. MACDONALD (*Rosedale*): Are you sure, Mr. James Coyne, that 10 per cent will fit the outstanding certificate holders comfortably?

Mr. JAMES E. COYNE: I would be quite happy to see it at zero as far as that goes. You see, we do not allow transfers today to non-residents.

Mr. MACDONALD (*Rosedale*): You do not think it is possible that any people who have subscribed may be non-resident?

Mr. JAMES E. COYNE: They would be covered by the 10 per cent rule. The only possibility is that somebody who was a resident keeps his shares but changes his residence, but then I do not think that will reach 10 per cent.

Mr. MACDONALD (*Rosedale*): Or they may fall into an estate.

Mr. JAMES E. COYNE: Yes.

Mr. MACDONALD (*Rosedale*): Perhaps I may ask this of Mr. Jack Coyne. In your opinion would the amendments cover a variety of situations where there is control of the shares falling short of outright registration? For example, I am thinking of cases where there has been a hypothecation of shares and their holding rights in a lending party. Would that cover the situation so as to affect the non-resident lender, for example, of the controlling operation?

Mr. J. M. COYNE: Dealing with that specific point, I think it does. The interest of the non-resident arising on the hypothecation would be covered. I am not an expert on these provisions but they were drafted, as I think it has been said, in the Department of Justice. Therefore the purpose was whatever purpose was expressed to be their purpose at that time.

In answer to your specific question and subject to correction, I think the interest of the non-resident arising by reason of hypothecation would be covered.

Mr. MACDONALD (*Rosedale*): And in the same way, a voting trust agreement?

Mr. J. M. COYNE: A voting trust is specifically covered.

● (5: 40 p.m.)

Mr. MACDONALD (*Rosedale*): Presumably what would not be covered would be a non-resident having an option on shares and really exercising the non-legal restraint?

Mr. J. M. COYNE: He cannot get it registered.

Mr. LAFLAMME: Would it be appropriate, Mr. Chairman, to have the references to Bill No. C-102 put in this draft beside the (H) clause, so we can refer to it?

Mr. LAMBERT: It already has been done.

Mr. LAFLAMME: Is the context the same?

Mr. J. M. COYNE: It is, Mr. Laflamme, with the exceptions, as I stated them. For example, in the very top line of Bill No. C-104 the words are: "In this section and sections 52 to 57", whereas here, of course, the cross reference is to

sections 6 to 9. Apart from alterations of that kind the text, to all intents and purposes and in all material respects, is identical with the exception, of course, that section 56, for the reasons I have stated, has been left out; also subsection 6 of clause 53 of Bill No. C-104 has been left out because it again referred to a pre-existing situation which would apply in the other banks but would have no application here. And, whereas clause 53 in Bill No. C-102 has seven sub-clauses, the equivalent clause 6 in this bill has only six subclauses, one having been left out.

Mr. MONTEITH: Mr. Chairman, it might be wise to have the French translation available by Tuesday.

The CHAIRMAN: I have already discussed this with both the clerk and Dr. Ollivier, and I believe this is going to be taken care of.

Members of the committee, perhaps we might spend a moment on our procedure for the guidance of the committee. As you know, we have the power to sit for the balance of the day even though the House is sitting. We could sit tomorrow until 11 a.m. Of course, there are the hours when the House is not sitting next week. I am just bringing this to your attention and I am inviting any comment that you wish to make so far as procedure is concerned.

Mr. LEWIS: I suggest that we meet on Tuesday.

Mr. MONTEITH: I suggest we meet at 9.30 a.m. on Tuesday morning. I cannot see any great conflict at this moment; we seem to have finished our questioning, at least to a large degree, and perhaps when we get the revised bill before us with the amendments to be approved we will be in a better position to carry on.

Dr. OLLIVIER: I thought you said you did not want a reprint.

Mr. MONTEITH: I believe Mr. Lewis suggested this, but it is all right with me.

Mr. HORNER (*Acadia*): I think if we adjourn until Tuesday it would give us ample time to give some thought to these matters.

Mr. LEWIS: I move that the committee stand adjourned until Tuesday.

Mr. CLERMONT: I second the motion.

Motion agreed to.

The CHAIRMAN: The committee stands adjourned until 9.30 a.m. on Tuesday, March 8.

**OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE**

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

TUESDAY, MARCH 8, 1966

Respecting

Bill C-111, An Act to incorporate Bank of Western Canada

INCLUDING THIRD REPORT TO THE HOUSE

WITNESSES:

Messrs. D. Gordon Blair, Parliamentary Agent; Sinclair M. Stevens, Toronto; James E. Coyne, Toronto; C. F. Elderkin, Inspector General of Banks; Dr. P. M. Ollivier, Q.C., Parliamentary Counsel.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,
Basford,
Cameron (*Nanaimo-
Cowichan-The Islands*)
Cashin,
Chrétien,
Clermont,
Coates,
Comtois,

Grégoire,
Hees,
Horner (*Acadia*)
Irvine,
Lambert,
Lamontagne,
Leboe,
Lewis,

Macdonald
(*Rosedale*)
McLean
(*Charlotte*)
Monteith,
More
(*Regina City*)
Munro,
Stafford,
Valade—25.

Dorothy F. Ballantine,
Clerk of the Committee.

ORDER OF REFERENCE

THURSDAY, March 3, 1966.

Ordered,—That on Thursday, March 3, 1966 the Standing Committee on Finance, Trade and Economic Affairs be authorized to sit while the House is sitting.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORT TO THE HOUSE

TUESDAY, March 15, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its.

THIRD REPORT

Your Committee has considered Bill C-111, An Act to incorporate Bank of Western Canada, and has agreed to report it with the following amendments:

Clause 5

Delete and substitute the following therefor:

5. (1) In this section and sections 6 to 9,

(a) "agent", in relation to

(i) Her Majesty in right of Canada or in right of a province, or

(ii) the government of a foreign state or any political subdivision thereof,

means an individual or corporation empowered to perform any function or duty on behalf of Her Majesty in either such right or on behalf of the government of a foreign state or any political subdivision thereof, other than a function or duty in the administration or management of the estate or property of an individual;

(b) "corporation" includes an association, partnership or other organization;

(c) "non-resident" means

(i) an individual who is not ordinarily resident in Canada,

(ii) a corporation incorporated, formed or otherwise organized, elsewhere than in Canada,

(iii) the government of a foreign state or any political subdivision thereof, or an agent of either,

(iv) a corporation that is controlled directly or indirectly by non-residents as defined in any of subparagraphs (i) to (iii),

(v) a trust

(A) established by a non-resident as defined in any of subparagraphs (ii) to (iv) other than a trust for the administration of a pension fund for the benefit of individuals a majority of whom are residents, or

(B) in which non-residents as defined in any of subparagraphs (i) to (iv) have more than fifty per cent of the beneficial interest, or

(vi) a corporation that is controlled directly or indirectly by a trust defined in subparagraph (v) as a non-resident; and

(d) "resident" means an individual, corporation or trust that is not a non-resident.

(2) For the purposes of sections 6 to 9, a shareholder is deemed to be associated with another shareholder if

- (a) one shareholder is a corporation of which the other shareholder is an officer or director;
- (b) one shareholder is a partnership of which the other shareholder is a partner;
- (c) one shareholder is a corporation that is controlled directly or indirectly by the other shareholder;
- (d) both shareholders are corporations and one shareholder is controlled directly or indirectly by the same individual or corporation that controls the other shareholder;
- (e) both shareholders are members of a voting trust where the trust relates to shares of the Bank; or
- (f) both shareholders are associated within the meaning of paragraphs (a) to (e) with the same shareholder.

(3) For the purposes of this section and sections 6 to 9, a "shareholder" is a person who according to the books of the Bank is the holder of one or more shares of the capital stock of the Bank and a reference in sections 6 to 9 to a share being held by or in the name of any person is a reference to his being the holder of the share according to the books of the Bank.

(4) For the purposes of sections 6 to 9, where a share of the capital stock of the Bank is held jointly and one or more of the joint holders thereof is a non-resident, the share is deemed to be held by a non-resident.

(5) where a corporation or trust that was at any time a resident becomes a non-resident, any shares of the capital stock of the Bank acquired by the corporation or the trust while it was a resident and held by it while it is a non-resident shall be deemed, for the purposes of sections 6 and 7, to be shares held by a resident for the use or benefit of a non-resident."

New Clause 6

Insert new clause 6 as follows:

6. (1) the Bank shall refuse to allow a transfer of a share of the capital stock of the bank to a non-resident to be made or recorded in a register of transfers of the Bank
- (a) if, when the total number of shares of the capital stock of the Bank held by non-residents exceeds ten per cent of the total number of the issued and outstanding shares of such stock, the transfer would increase the percentage of such shares held by non-residents; or
 - (b) if, when the total number of shares of the capital stock of the Bank held by non-residents is ten per cent or less of the total number of the issued and outstanding shares of such stock, the transfer would cause the total number of such shares held by non-residents to exceed ten per cent of the total number of the issued and outstanding shares of such stock.

(2) The Bank shall refuse to allow a transfer of a share of the capital stock of the Bank to any person to be made or recorded in a register of transfers of the Bank

- (a) if, when the total number of shares of the capital stock of the Bank led by such person and by other shareholders associated with him, if any, exceeds ten per cent of the total number of the issued and outstanding shares of such stock, the transfer would increase the percentage of such shares held by such person and by other shareholders associated with him, if any; or
- (b) if, when the total number of shares of the capital stock of the Bank held by such person and by other shareholders associated with him, if any, is ten per cent or less of the total number of the issued and outstanding shares of such stock, the transfer would cause the total number of such shares held by such person and by other shareholders associated with him, if any, to exceed ten per cent of the issued and outstanding shares of such stock.

(3) The Bank shall refuse to allow a transfer of a share of the capital stock of the Bank to

- (a) Her Majesty in right of Canada or in right of a province or an agent of Her Majesty in either such right, or
- (b) the government of a foreign state or any political subdivision thereof or an agent of the government of a foreign state or any political subdivision thereof,

to be made or recorded in a register of transfers of the Bank.

(4) The Bank shall not accept a subscription for a share of the capital stock of the Bank

- (a) by Her Majesty in right of Canada or in right of a province or an agent of Her Majesty in either such right or by the government of a foreign state or any political subdivision thereof or an agent of the government of a foreign state or any political subdivision thereof, or
- (b) except as otherwise provided in subsection (5), in circumstances where if the subscription were a transfer of the share the Bank would be required under subsection (1) or (2) to refuse to allow the transfer to be made or recorded; but in the case of a subscription pursuant to an offer under section 36 of the Bank Act the Bank may count as shares issued and outstanding all the shares included in the offer.

(5) Subject to paragraph (a) of subsection (4), where an offer of shares of the capital stock of the Bank is made under section 36 of the Bank Act, the Bank may accept any subscription

- (a) if the terms of the offer contain provisions to the effect that in the case of a share offered to a shareholder whose recorded address, at the time fixed for determining the shareholders to whom the offer is made, is a place within Canada and who is not at that time, to the knowledge of the bank, a non-resident, a subscription will not be accepted if the share is to be recorded in the name of a non-resident;
- (b) if the subscription is accompanied by a declaration by the subscriber

- (i) as to whether the person in whose name the share is to be recorded is a resident or a non-resident, and
 - (ii) to the effect that the total number of shares of the capital stock of the Bank that will, if the subscription is accepted, be held by such person and by other shareholders associated with him, if any, will not exceed ten per cent of the total number of the shares of the capital stock of the Bank that will be issued and outstanding on the issue of all shares included in the offer; and
- (c) if, on the basis of such declaration, the acceptance of the subscription is not contrary to the terms of the offer.
- (6) default in complying with the provisions of this section does not affect the validity of a transfer of a share of the capital stock of the Bank that has been made or recorded in a register of transfers of the Bank or the validity of the acceptance of a subscription for a share of the capital stock of the Bank."

New Clause 7

Insert new clause 7 as follows:

7. (1) Notwithstanding section 34 of the Bank Act, where a resident holds shares of the capital stock of the Bank in the right of, or for the use or benefit of, a non-resident, the resident shall not, in person or by proxy, exercise the voting rights pertaining to those shares.
- (2) Notwithstanding section 34 of the Bank Act, where the total of
- (a) the number of shares of the capital stock of the Bank held in the name or right of or for the use or benefit of a person, and
 - (b) the number of shares of the capital stock of the Bank held in the name or right of or for the use or benefit of
 - (i) any shareholders associated with the person mentioned in paragraph (a), or
 - (ii) any other person who would be deemed under subsection (2) of section 5 to be associated with the person mentioned in paragraph (a), if both he and such other person were shareholders, exceeds ten per cent of the issued and outstanding shares of such stock,
 - (c) no person shall, in person or by proxy, exercise the voting rights pertaining to any of the shares referred to in paragraph (a) that are held in the name of a resident, and
 - (d) no person shall, in person or as proxy, exercise the voting rights pertaining to any of the shares referred to in paragraph (a) that are held in the name of a non-resident.
- (3) Notwithstanding section 34 of the Bank Act, the voting rights pertaining to any shares of the capital stock of the Bank shall not be exercised when the shares are held in the name or right of or for the use or benefit of
- (a) Her Majesty in right of Canada or in right of a province or an agent of Her Majesty in either such right; or
 - (b) the government of a foreign state or any political subdivision thereof or an agent of the government of a foreign state or any political subdivision thereof.

(4) Where it appears from the register of shareholders of the Bank that the total par value of the shares of the capital stock of the Bank held by a shareholder is less than five thousand dollars, a person acting as proxy for the shareholder at a general meeting of the Bank is entitled to assume that the shareholder holds the shares in his own right and for his own use and benefit and that he is not associated with any other shareholder, unless the knowledge of the person acting as proxy is to the contrary.

(5) If any provision of this section is contravened at a general meeting of the shareholders of the Bank, no proceeding, matter or thing at that meeting is void by reason only of such contravention, but any such proceeding, matter or thing is, at any time within nine months from the day of commencement of the general meeting at which the contravention occurred, voidable at the option of the shareholders by a resolution passed at a special general meeting of the shareholders.

New Clause 8

Insert new clause 8 as follows:

8. (1) The directors may make such by-laws as they deem necessary to carry out the intent of sections 5 to 9 and in particular, but without restricting the generality of the foregoing, the directors may make by-laws
 - (a) requiring any person in whose name a share of the capital stock of the Bank is held to submit a declaration
 - (i) with respect to the ownership of such share,
 - (ii) with respect to the place in which the shareholder and any person in whose right or for whose use or benefit the share is held are ordinarily resident,
 - (iii) whether the shareholder is associated with any other shareholder, and
 - (iv) with respect to such other matters as the directors may deem relevant for the purposes of sections 5 to 9;
 - (b) requiring any person desiring to have a transfer of a share to him made or recorded in a register of transfers of the Bank or desiring to subscribe for a share of the capital stock of the Bank to submit such a declaration as may be required pursuant to this section in the case of a shareholder; and
 - (c) providing for the determination of the circumstances in which any declarations shall be required, their form and the times at which they are to be submitted.
 - (2) Where pursuant to any by-law made under subsection (1) any declaration is required to be submitted by any shareholder or person in respect of the transfer of or subscription for any share, the Bank may refuse to allow such transfer to be made or recorded in a register of transfers of the Bank or to accept such subscription without the submission of the required declaration.
 - (3) The Bank and any person who is a director, officer, employee or agent of the Bank, may rely upon any information contained in a

declaration required by the Bank pursuant to this section or any information otherwise acquired in respect of any matter that might be the subject of such a declaration; and no action lies against the Bank or any such person for anything done or omitted in good faith in reliance upon any such information.

(4) Where for any of the purposes of section 6, the Bank requires to establish the total number of shares of the capital stock of the Bank held by non-residents, the Bank may calculate the total number of such shares held by non-residents to be the total of

- (a) the number of shares held by all shareholders whose recorded addresses are places outside Canada; and
- (b) the number of shares held by all shareholders each of whose aggregate individual holdings of such shares has a par value of five thousand dollars or more and whose recorded addresses are places within Canada but who to the knowledge of the bank are non-residents; and such calculation may be made as of a date not earlier than four months before the day on which the calculation is made.

(5) Where by any calculation made under subsection (4) the total number of shares held by non-residents is under ten per cent of the total issued and outstanding shares of the capital stock of the Bank, the number of shares the transfer of which by residents to non-residents the Bank may allow to be made or recorded in the registers of transfers of the Bank shall be so limited as not to increase the total number of shares held by non-residents to more than ten per cent of the total issued and outstanding shares of the capital stock of the Bank.

(6) Notwithstanding subsections (1) and (2) of section 6, where in the case of a transfer of any shares of the capital stock of the Bank to a transferee it appears that

- (a) the aggregate par value of all shares of the capital stock of the Bank held by the transferee as shown by the register of shareholders of the Bank at a date not more than four months earlier is less than five thousand dollars, and
- (b) the aggregate par value of the shares included in the transfer and any shares acquired by the transferee after the date mentioned in paragraph (a) and still held by him as shown by the register of transfers of the Bank in which it is sought to have the transfer made or recorded is less than five thousand dollars, the Bank is entitled to assume that the transferee is not and will not be associated with any other shareholder and, unless the address to be recorded in the register of shareholders of the Bank for the transferee is a place outside Canada, that he is a resident.

New Clause 9

Insert new clause 9 as follows:

- 9. (1) Notwithstanding section 6, the Bank, upon its incorporation and with the prior approval of the Treasury Board, may, either before or after the first general meeting of the shareholders of the Bank,

accept subscriptions for shares by residents without regard to the provisions of section 6, but no such subscriptions for shares may be accepted by the Bank except in accordance with and subject to such terms and conditions as the Treasury Board may by order prescribe.

(2) Notwithstanding sub-section 2 of section 7, the voting rights pertaining to any shares of the capital stock of the Bank acquired through the acceptance of a subscription pursuant to subsection 1 of this section and held in the name of and for the use or benefit of a resident may be exercised by or on behalf of the holder thereof in accordance with and subject to such terms and conditions as the Treasury Board may by order prescribe.

New Clause 10

Insert new clause 10 as follows:

10. Sections 5 to 9 inclusive of this Act shall have effect notwithstanding anything in the Bank Act but unless otherwise provided by Parliament shall cease to have effect upon the last day upon which the Bank may carry on the business of banking under the provisions of section 6 of that Act.

Original Clause 6

Amend by re-numbering as clause 11.

Original Clause 7

Amend by re-numbering as clause 12.

Your Committee has ordered a reprint of the Bill, as amended.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issues Nos. 1 to 3 inclusive) is appended.

Respectfully submitted,

HERB GRAY,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, March 8, 1966.

(6)

The Standing Committee on Finance, Trade and Economic Affairs met at 9:50 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Cashin, Chrétien, Clermont, Comtois, Gray, Hees, Horner (*Acadia*), Irvine, Laflamme, Lambert, Lewis, Macdonald (*Rosedale*), McLean (*Charlotte*), Monteith, More (*Regina City*) and Munro.—(17)

In attendance: Messrs. J.-T. Richard, M.P., Sponsor of Bill C-111; D. Gordon Blair, Parliamentary Agent; James E. Coyne, Toronto; Sinclair M. Stevens, Toronto; C. F. Elderkin, Inspector General of Banks; Dr. P. M. Ollivier, Q.C., Parliamentary Counsel.

After informal discussion and questioning, the committee resumed consideration of Bill C-111, An Act to incorporate Bank of Western Canada.

On motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. McLean (*Charlotte*),

Resolved,—That the evidence adduced this morning prior to the formal opening of the meeting be incorporated as part of the committee's records.

By leave of the committee, the Parliamentary Agent distributed copies of a sub-amendment to new clause 9 which the promoters wish to have included in the Bill.

On clause 5

Messrs. Blair, Elderkin and Coyne were questioned.

Clause 5 was allowed to stand and the committee reverted to the Preamble. Messrs. Coyne, Elderkin and Stevens were questioned and the Preamble was again allowed to stand.

At 11:15 a.m. the committee adjourned and reconvened at 11:30 a.m.

On clause 5

Dr. Ollivier was questioned.

The Chairman put the question on the subamendment of Mr. Lewis, that is: "that wherever in the amendment 'twenty-five per cent' occurs as a total for stock-holding by non-residents, it be changed to 'ten per cent'." (*See Minutes of Proceedings, March 3, 1966.*) The sub-amendment was carried.

The Chairman then referred to the main amendment of Mr. Lambert (*See Appendix A to Minutes of Proceedings, March 3, 1966*), and stated that he proposed to put each clause individually, although all the proposed new clauses were included in the one amendment.

Present clause 5 was deleted and new clause 5 was carried.

New clause 6 was carried, as amended as a consequence of the motion of Mr. Lewis.

New clause 7 was carried.

New clause 8 was carried, as amended as a consequence of the motion of Mr. Lewis.

On new clause 9

On motion of Mr. Chrétien, seconded by Mr. Clermont,

Resolved,—That new clause 9 of Bill C-111 be amended by re-numbering the said clause as sub-clause 1 and adding thereto the following as sub-clause 2:

(2) Notwithstanding sub-section 2 of section 7, the voting rights pertaining to any shares of the capital stock of the Bank acquired through the acceptance of a subscription pursuant to sub-section 1 of this section and held in the name of and for the use or benefit of a resident may be exercised by or on behalf of the holder thereof in accordance with and subject to such terms and conditions as the Treasury Board may by order prescribe.

New clause 9 was carried, as amended.

New clause 10 was carried.

On motion of Mr. Cashin, seconded by Mr. Comtois,

Resolved,—That as a consequence of inserting new clauses 5 to 10 inclusive, present clauses 6 and 7 be renumbered as clauses 11 and 12.

Present clauses 6 and 7, as amended by re-numbering, were carried.

The Preamble and the Title were carried.

The Bill, as amended, was carried, and the Chairman was directed to report the Bill, as amended.

On motion of Mr. Clermont, seconded by Mr. Laflamme,

Resolved,—That Bill C-111, An Act to incorporate Bank of Western Canada, be reprinted as amended by this Committee for the use of the House of Commons; and that such reprinting costs be payable by the promoters of the said Bill.

On motion of Mr. Cashin, seconded by Mr. Cashin,

Resolved,—That the motion and amendment concerning the composition of the sub-committee and agenda and procedure be deferred to the next meeting.

At 11:45 a.m. the Committee adjourned to the call of the Chair, on motion of Mr. Comtois.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 8, 1966.

● (9:45 a.m.)

The CHAIRMAN: Members of the standing Committee on Finance, Trade and Economic Affairs, I suggest that we begin our proceedings this morning with an unofficial discussion, questioning and the taking of evidence on the clauses at the point we were at when we adjourned our last session. Then, we will deal with this matter more efficiently when we do have a quorum.

When we adjourned we were discussing the lengthy amendments to clause 5. At this point I would like to invite further discussion, questions or comments on the amendments which were placed before us at that time.

I recognize members of the committee in the order indicated.

Would you proceed, Mr. Macdonald.

Mr. MACDONALD (*Rosedale*): Mr. Chairman, I would like to address a question to Mr. Blair with respect to clause 8, which appears to give the directors the discretion to make bylaw with respect to the delivery of the declarations in every instance; however, it does not make that mandatory. If the directors enacted a bylaw to this effect it would be mandatory to the shareholders but the section of the brief does not make it mandatory for the directors to enact such a bylaw.

I am concerned about the blind eye theory of directorship. If the directors do not require the declarations in every instance they must find out as much about the non-residents' holdings as desirable.

Mr. Blair, what would your view be with regard to making that mandatory under clause 8 to the appropriate amendment?

Mr. D. GORDON BLAIR (*Parliamentary Agent*): Mr. Chairman, in answer to Mr. Macdonald's question, the first thing I should say is that so far as the sponsors are concerned they would have no objection at all to having this a mandatory requirement. Now, our understanding of the reason this is phrased permissibly is that you are always likely to have a person holding just a handful, or even one share, which might fall into the prohibited category. In any case, you might have a number of small shareholders, and from an administrative standpoint it might become quite a problem with the larger banks to have every shareholder submit this kind of proof as to his shareholdings.

I think the committee will understand that we merely took this out of the general legislation which was being proposed for banks, and adopted the language.

It occurs to me that perhaps Mr. Elderkin might have some general comments to make.

Mr. C. F. ELDERKIN (*Inspector General of Banks, Department of Finance*): Mr. Chairman, any comment I might care to make at this time would be quite similar to the one made by Mr. Blair. However, to my knowledge, this was done

deliberately because it was not felt desirable to approach everyone to have a declaration as to ownership. There are a good many thousand shareholders holding fewer than 500 shares in each bank; it was not considered that any declaration was necessary in their case, but with respect to only the large ones. It was felt the large holdings were the only ones that the directors should be perusing. Of course, I suppose that was the reason for the directors being able to make a bylaw to cover any particular size shareholdings. But, it was felt that this, in effect, was all that was necessary. This was the opinion of justice, under the circumstances.

Mr. MACDONALD (*Rosedale*): Perhaps I could address my next question to Mr. Coyne, as someone who may be a director of the bank when the charter is issued.

Mr. Coyne, what would your intentions be in this regard.

Mr. JAMES E. COYNE (*Proposed Provisional Director, Bank of Western Canada*): Do you mean when we have the charter, if it is granted, but before this has been made obligatory on the other banks?

Mr. MACDONALD (*Rosedale*): Yes. To put it another way, assume you are a director and a member of a board, would you favour enacting a bylaw to require declarations in almost all instances so that the bank actually then would put it up to the shareholders to prove themselves one way or another?

Mr. COYNE: Mr. Macdonald, we already have done that under the trust agreement; no transfer is recognized unless a declaration is made by the transferee and the original subscribers, who would want them to make such a declaration; so, we would have to carry on that way so long as we were the only bank to which this clause applied.

Mr. MACDONALD (*Rosedale*): Was there any limitation in your trust agreement with regard to the scale?

Mr. COYNE: No.

Mr. MACDONALD (*Rosedale*): So, you have not felt it impossible to deal with a small scale shareholding in this connection?

Mr. COYNE: That is right, but, we have about 5,000 small shareholders, and it might be more difficult later on.

Mr. ELDERKIN: If I might interject here, this is quite easily done when setting up a new bank. But, remember, that there are thousands of shares of bank stock traded on the market every day. Now, if you are going to hold up these transfers of small amounts and small lots until you get a declaration in each case you are going to upset the whole stock exchange transaction system. I think it is really impractical.

Mr. MACDONALD (*Rosedale*): On the other hand, unless you were going to be put under an obligation to keep strict track of where the shareholdings are at any one time, this non-resident provision will not be operative.

Mr. ELDERKIN: Yes, but they are not particularly interested; as a matter of fact, there is an exemption later on in this for shareholdings of \$5,000 par value or less.

Mr. MACDONALD (*Rosedale*): I would like to direct this question to Mr. Blair.

I am concerned about the provisions with respect to transmissions; that is, the involuntary transfer of ownership in a share, or at least a beneficial

ownership in a share, to the benefit of a non-resident, when the relative dies and leaves it to him in his will. Do you feel that transmissions are adequately covered in the amendments?

Mr. BLAIR: Well, I think that they are because there is the over-all limitation—in fact, the two limitations which are now in this statute. The first is that the total of non-resident holdings shall not exceed 10 per cent, and the second is that the total of any individual's holdings—

Mr. MACDONALD (*Rosedale*): Excuse me, Mr. Blair, but I cannot hear you.

Mr. BLAIR: I am sorry. There are two restrictions which will appear in this bill in its final form: The first is that the total of non-resident holdings shall not exceed 10 per cent, and the second is that the total of the holdings of any particular shareholder shall not exceed 10 per cent.

Now, this bill, of course, provides a mechanism whereby the bank will work down to these percentages under the direction of the Treasury Board. But, shares which are transferred either by a sale through the stock exchange or through transmission upon death would all have to be considered in terms of these overall percentages.

I can say, Mr. Macdonald, that there will be a lot of bookeeping connected with it but I do not think there will be any difficulty in policing it.

I think Mr. Elderkin made the remark on Thursday that he thought that it was quite capable of being policed.

The CHAIRMAN: Gentlemen, I see we now have an official quorum. I would like to interrupt the questioning at this stage of the taking of evidence to invite a motion that the proceedings up until now be incorporated as part of the official record of proceedings.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I so move.

Mr. McLEAN (*Charlotte*): I second the motion.

Motion agreed to.

Mr. MACDONALD (*Rosedale*): You would require a declaration from the trustee as to the interests of the non-resident then?

Mr. BLAIR: Yes. That would be a very easy thing to work out. It could be done through the bylaws which would be enacted pursuant to clause 8.

Mr. MACDONALD (*Rosedale*): Presumably the same thing would apply to transmission from non-natural persons either on winding up or amalgamation of corporations.

Mr. BLAIR: Yes, I think so Mr. Macdonald.

Mr. MACDONALD (*Rosedale*): I understand that clause 9 may be subject to further amendment; however, the intention there is to provide only the saving provision with respect to holdings by residents exceeding the limits in the bill, and there is no intention to save any excess holding there by non-residents.

Mr. BLAIR: That is correct.

The CHAIRMAN: Are there any further questions to be put by members of the committee? If not, may I say that at this point yesterday Mr. Ken More contacted me and indicated that Mr. Lambert had been asked by his group to take a lead in putting questions at this point. Mr. More has informed me that Mr. Lambert would not be able to be here until 11 o'clock this morning. I was also informed that Mr. Monteith was indisposed and unlikely to be present.

The suggestion made by Mr. More was that perhaps our meeting could start at 11 o'clock this morning. But, I made the suggestion that in order to use our time more effectively we begin at 9.30 this morning and, if at the point when questions from others expired of its own accord and Mr. Lambert had not yet arrived, as a courtesy to him I would invite someone to make a motion we adjourn until his arrival.

Mr. More, I am wondering, now that Mr. Monteith is present, whether the circumstances have changed in this respect?

Mr. MONTEITH: Mr. Chairman, circumstances really have not changed because I have not been in a position to give this matter my fullest attention over the week end, I was laid up.

The CHAIRMAN: Well, Mr. Monteith, we are glad to see you back in apparent good health.

Mr. MONTEITH: I would prefer Mr. Lambert to carry the legal load in this connection because I am not a lawyer. However, I have my own thoughts on this matter which I will put forward at the appropriate time.

If Mr. Lambert does not appear shortly, Mr. Chairman, I would appreciate it if you could adjourn the committee until such time as he is able to appear in order to discuss these amendments.

● (10:00 a.m.)

The CHAIRMAN: First, I might say, I am sure you could add something from the accountant's point of view. I myself as a lawyer appreciate this constructive deference, but that is not the right word, or courtesy extended to the other profession. I did indicate to Mr. More when we talked about this yesterday, that if the circumstances would arise I would ask the committee, with respect to this particular bill, to adjourn until Mr. Lambert arrived. If there are others right now who wish to raise questions on what is before us, then we can simply proceed.

Mr. CLERMONT: At the bottom of page 5 it is said "unless the knowledge of the person acting as proxy is to the contrary"; could somebody give me an explanation of that? It appears in clause 7(4). What is the reason behind that clause?

Mr. ELDERKIN: Notwithstanding section 34, this relates to the issue of new capital stock and every shareholder is entitled, on the issue of new capital stock, to an equal participation, and so this is a saving clause.

Mr. CLERMONT: What is the general meaning?

Mr. ELDERKIN: I am sorry, I was looking at the bill.

Mr. CLERMONT: I am speaking of the last paragraph at the bottom of page 5 of the amended version of the bill.

Mr. ELDERKIN: The purpose of this is to save a great deal of work in checking up on small holdings. If he is only a registered shareholder of 5,000 par value shares or less, it relieves the secretary of the necessity of checking every one of the small shareholdings or every one of the small proxies. It is simply a matter of administration because of the thousands and thousands of small shareholders.

Mr. MACDONALD (Rosedale): Could I suggest the following? Is the purpose of it not also to take the onus off the proxy from establishing that he is not acting for a non-resident?

Mr. ELDERKIN: Both, as a matter of fact.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I am not sure, it may have been explained at the last meeting when I was absent, but I am wondering what was the reasoning behind changing subclause 5 of clause 8 and changing the ten per cent to 25 per cent?

The CHAIRMAN: Perhaps I could clarify this. There is a subamendment before us now in the major amendment before us, that wherever 25 per cent occurs as a total for stockholding by non-residents, it be changed to ten per cent. This was moved by Mr. Lewis and seconded by Mr. More.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I did not know what the procedural point was.

The CHAIRMAN: Are there any further questions at this point?

Mr. HORNER (*Acadia*): Perhaps my question goes back to the beginning of the bill, but if there are no more questions on this amendment I wonder whether we could not just go back to the preamble. Mr. Coyne was going to bring in a definition or a short explanation on how money comes into circulation. I think this was brought up at a previous meeting. He also stated at a previous meeting that with the inclusion of small banks in Canada and with the issuance of more charters there is a tendency for the money supply to increase. I believe it would be helpful if we were told how much it was increased by this bank and by a number of other charters being issued. I would like to hear an explanation on this.

The CHAIRMAN: Does the committee agree that clause 5 stand and that we revert to the preamble? I understand that it is agreed.

Mr. BLAIR: Would it be permissible, before we get off clause 5, and with Mr. Horner's consent, to give an explanation about another amendment which we have brought forward and which has been distributed to all the members of the committee?

The CHAIRMAN: Now that you have mentioned it, Mr. Blair, I think this would be a constructive thought because it would fit in at this point.

Mr. BLAIR: As the members of the committee are aware, clause 9 of this bill, which appears on page 8, copies clause 57 of the proposed Bank Act of the last session, and it provides in effect that where a new bank is incorporated, with certain people holding more than ten per cent of the shares, those people will work their shareholdings down to ten per cent under the direction and order of the Treasury Board. I have to confess that on Thursday we prepared these amendments in quite a hurry and when we got away from the committee we realized that there was a gap because, as the members are aware, there is also a provision in these clauses which prevents any person holding more than ten per cent of the issued shares of the bank from voting any of that stock. So what has been done has been to prepare a further amendment to this bill, adding a second subclause to clause 9, which will permit the shareholders holding more than ten per cent of the issued shares to continue to exercise their voting rights under the direction and order of the Treasury Board.

What is contemplated, of course, is that they would work down their shareholdings to ten per cent over a period of time, and as those shareholdings were being worked down they would still be able to exercise their voting rights. Perhaps I should say that when we discovered that this omission had occurred,

we got in touch with the officials of the Department of Finance and drew the matter to their attention. The officials in Mr. Elderkin's department reviewed the matter and had, I understand, discussions with the Department of Justice as a result of which this amendment was produced as being the type of amendment which would meet the situation.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): May I ask Mr. Blair a question? How is it proposed that the direction with regard to voting be exercised by the Treasury Board?

Mr. ELDERKIN: I would think that what would happen here is that the Treasury Board would lay down the rules for the divesting of shares but that the voting right would stay with the permitted number of shares until they reach the ten per cent.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is only about ten per cent?

Mr. ELDERKIN: They would vote whatever they were allowed to hold. I would think that is what the Treasury Board would do.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I understood it would be under the direction of the Treasury Board and I did not see how they could exercise the right of voting.

Mr. BLAIR: I am sorry, what the section contemplates is that, at the inception of a bank like this, there would be shareholders who hold more than ten per cent, the permitted number of shares, and one would contemplate that the Treasury Board would issue some kind of a direction saying that over a period of time these shareholdings would be worked down to ten per cent. One would also contemplate that, if this amendment were adopted, the Treasury Board would say that while the shares were being worked down to ten per cent the shareholders would be able to vote the number of shares that they had at any given time. However, of course, it would be subject not to day-to-day direction but they would be complying with whatever general formula the Treasury Board had laid down when it licensed the bank for operation.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are you not putting any time limit on the time required for divesting?

Mr. ELDERKIN: That is up to the Treasury Board; it is left to their discretion. It might depend on the market conditions and various other things.

The CHAIRMAN: Are there any further questions at this point on the proposed amendment suggested by Mr. Blair with which we will deal some time later at the appropriate time?

Mr. CLERMONT: Mr. Blair said this amendment was distributed last Thursday.

Mr. BLAIR: I am sorry, Mr. Clermont. What I said was that we found out, after we got away from the meeting, that it should have been included. We just distributed it today for the first time.

The CHAIRMAN: I suggest that we let this phase of the bill stand until the arrival of Mr. Lambert and that we revert to the preamble so as to deal with the question raised by Mr. Horner which, I presume, he is relating to the bill before us.

Mr. HORNER (*Acadia*): Do you want me to put the question again?

Mr. COYNE: Yes.

Mr. HORNER (*Acadia*): It arose out of an earlier discussion which the committee had with regard to money supply and how money supply was increased or decreased. I think in answer to one of my questions you suggested that money supply would increase with the granting of more charters. You said that perhaps it might a little, or something like this. I cannot just find it in the record but I am sure it is there. In your opening remarks you stated that Canada needed many more banks or could do with many more banks. I think we should know just what we are doing in granting this charter, what effect it is going to have on money supply and what effect several more charters would have on money supply. Could you give us some idea of that?

Mr. COYNE: I hope I did not give the impression that creating more banks would automatically and by that fact increase the money supply—I do not think that is the case. I said it would affect the distribution of the assets of the banking system perhaps, but the money supply is determined by the actions of the Bank of Canada and by the way in which the chartered banks as a whole react to those actions of the Bank of Canada.

Mr. HORNER (*Acadia*): Could you give us some idea of how more money comes into circulation? I know it does from time to time and has to, but in a discussion with Mr. Leboe as to which came first, whether the deposit went into the Bank of Canada first or went into it after, we were not quite sure. Could you be a little more clear so that the committee might have an idea of how money is created?

Mr. COYNE: I would be glad to say whatever I can on the subject although I think you will have a better discussion of it when you have the amendments to the Bank of Canada Act before you.

Mr. HORNER (*Acadia*): No doubt, but if we knew how money supply came into being we might be better able to discuss it when the Bank Act does come up. I know in your remarks you did say that the number of new banks coming into being could have an effect on the money supply.

Mr. COYNE: I do not recall the exact words of the question or the answer. I certainly did not intend to say that the money supply would be increased through the fact that you have more banks. The money supply may increase or at times may decrease, although that very rarely happens, through actions of the Bank of Canada and of the banking system as a whole.

Mr. HORNER (*Acadia*): What particular action of the Bank of Canada increases the money supply?

● (10:15 a.m.)

Mr. COYNE: I would say the chief action is that the Bank of Canada purchases government securities in the market.

Mr. HORNER (*Acadia*): How would they create a condition in which there was tightening of money?

Mr. COYNE: If it was action by the Bank of Canada, it would be by the opposite transaction—namely, selling government securities in the market or failing to renew those that mature. This creates more of a Bank of Canada deposit because the Bank of Canada gives you a cheque on itself when it buys securities, and whoever gets that cheque deposits it in his bank, thereby

increasing the deposits in that bank; and that bank then takes the cheque back to the Bank of Canada and—

Mr. HORNER (*Acadia*): And in that way it can loan more money?

Mr. COYNE: Since that bank now has an increase of \$100 cash reserve with the Bank of Canada, but only an increase of \$100 of its own deposit liabilities, it has some extra cash. It only needs one for 12 instead of one for one. Having extra cash, it can make more loans or purchases of securities itself; but when it does, some of its deposits and some of its cash would be taken away from it and go to some other bank. That other bank in turn then gets part of the cash reserve. The Bank of Canada gets some increase in its cash reserve and so, to a lesser extent, the other bank can then make some more loans or make some more purchases of securities, and then it in turn will lose some of its deposit with the Bank of Canada to still another bank. At times, of course, it will come to the first bank it all started with. But when this whole series of transactions has finally gone to the point where no further excess cash reserve exists on the part of any bank, you should find that the banking system's deposits and assets have gone up by approximately 12 times the amount of the original increase in the deposit with the Bank of Canada.

Mr. HORNER (*Acadia*): Actually, in the case of, say, a new charter and a new bank, you have to have the deposits in order to make the loans.

Mr. COYNES: Yes, of course; we would have capital to start with and we would transfer some of that to the Bank of Canada—

Mr. HORNER (*Acadia*): As your reserve?

Mr. COYNE: —drawing that money away from other banks in order to do so. Our capital at present is deposited with other banks.

Mr. MORE (*Regina City*): You said, Mr. Coyne, that this transaction would not benefit you in your earlier years.

Mr. COYNE: Which transaction?

Mr. MORE (*Regina City*): The 12 to 1 transaction.

Mr. COYNE: I am not clear on your point. We will start off with \$13 million in capital. If we wish, we can convert all that into cash and deposit it all with the Bank of Canada, which would mean we would have a deposit of \$13 million with the Bank of Canada, and the other banks would have a reduction of their \$13 million in their deposits with the Bank of Canada. But, of course, we do not intend to do that. We might keep \$1 million and invest the remainder.

Mr. HORNER (*Acadia*): Could you give us some idea how the federal government limits the control of the distribution or the multiplication factor of trust companies? I think you said there was a multiplication factor of 20 or 21 for banks, and for trust companies it was down to about 15.

Mr. COYNE: The trust companies are dealt with in the statute, and I believe it was changed last session or the one before to a factor of 15—a limitation of 15 times their capital stock. There is no such limitation in the Bank Act nor I think has any been proposed, but when you look at what the banks in fact do, although this has changed over a period of time, I think you will find a number of them have total assets of roughly 20 times their capital.

Mr. HORNER (*Acadia*): Is it because of a reserve clause in the Trust Companies Act that it is limited?

Mr. COYNE: Yes. It is a statutory limitation. It used to be $12\frac{1}{2}$ but it has been changed to 15, I think.

Mr. HORNER (*Acadia*): Can either Mr. Elderkin or Mr. Coyne tell me why it is in the last 12 years or so, particularly since we have seen the chartered banks getting into the business of trust companies, that practically every chartered bank has absolute or effective control of a trust company? Why has this come into our system?

The CHAIRMAN: I doubt that this pertains particularly to the bill before us. I could see the relationship of your previous questions, but this is wandering further afield.

Mr. HORNER (*Acadia*): On this point of order, Mr. Chairman, we have here an application for a charter which has the reverse situation. They have some 20 or 22 trust companies in their group, and now they want a charter. There is a definite relationship. We in this committee should realize this relationship. If we knew why there was a need for the present banks to get into the trust companies we would better understand why we have this group of trust companies getting into banking. I think it may be an educational process for members to hear this. Do you agree?

Mr. LAFLAMME: Yes.

The CHAIRMAN: Continue on the basis on which you have explained it, Mr. Horner.

Mr. COYNE: I can only guess at the reasons. In the first place, several of the large banks have had an intimate connection with a particular trust company for 40 or 50 years, or longer. The Royal Bank, the Bank of Montreal, the Canadian Bank of Commerce and—perhaps later on—the Toronto-Dominion Bank and the Bank of Nova Scotia have acquired a particular connection with a trust company. I think the main purpose there was to give each other mutual exchange business. There were certain things the banks could not do such as act as a trustee. When a customer of theirs asked who they would recommend, they liked to recommend a company to whom they were very close. Likewise, that company might bring a good deal of banking business to the bank in connection with the affairs of its clients, its estates, and so on. The second reason perhaps was that the banks, through the trust and mortgage companies—because it affects mortgage companies too—were growing quite fast in the last ten years or so and wanted to participate in that particular form of growth through some form of stock ownership, or whatever it may be.

The same thing has applied in the case of mortgage companies. Several of the banks have come to Parliament and have even got charters for mortgage companies, which are now owned by or very closely associated with a particular bank. There was one just last year—I think it was called The World Mortgage Corporation—with the Bank of Nova Scotia. Then the Canadian Bank of Commerce was responsible, I believe, for setting up the Kinross Mortgage Corporation, and we have a number of other cases.

Mr. HORNER (*Acadia*): You can either confirm or deny the rumour which has been going around and is in the minds of a lot of people that whenever you have a situation of proposed tight money the banks, through their relationship with the trust companies, immediately notify the trust companies that this period is materializing and tell them to be prepared for it, and perhaps advance trust companies money to carry them over through this period. The trust

companies are allowed to prepare themselves for this tight money situation, and during a tight money situation it is easier to get money from a trust company than it is to get money from the banks. Is this a logical assumption? I know it is an assumption made by a number of people.

Mr. COYNE: I do not have any direct information on it. I imagine the management of the bank and the management of the trust company exchange views on the economic affairs and outlook. Perhaps the bank is in a better position to observe the actions of the Bank of Canada or the general monetary situation, but I would not think it very likely that the bank would withhold money from other customers and give an unduly large amount of money to a friendly trust company in order that that trust company in turn can make loans. I would not think that was very likely. That is one point. However, the trust company cannot make the same kind of loans as the bank can make.

Mr. HORNER (*Acadia*): I realized that.

What you have said, Mr. Coyne—and this has been my own worry on this application for a charter—is that it is to the mutual interest of the trust companies and the banks to work together because of the trust companies having a direct relationship with the Bank of Canada, which puts them in a better position. I am summarizing what you have said, and this is what I have understood from your remarks.

Mr. COYNE: The trust companies have a direct relationship with the Bank of Canada?

Mr. HORNER (*Acadia*): Yes, through having a relationship with a chartered bank, they have an indirect relationship with the Bank of Canada, and that puts them in a better position.

Mr. COYNE: As against other trust companies?

Mr. HORNER (*Acadia*): It puts them in a better position.

Mr. COYNE: There are of course some trust companies that are not intimately connected with a bank, and they sometimes indicate that they are rather proud of the fact that they are independent of any special banking connections.

I do not know that I would agree that a trust company being close to a chartered bank would have an advantage over others.

Mr. MUNRO: Are there many trust companies which are not associated with banks?

Mr. COYNE: There are two with head offices in Ontario that I can think of immediately; that is, two of the larger ones—the Guaranty Trust and the Canada Trust.

The CHAIRMAN: Mr. Munro, in the past I have not actually allowed other members to interrupt the trend of questioning.

Mr. HORNER (*Acadia*): That is fine. I did not mind at all.

This goes back to my original fear in this application, Mr. Coyne. We have a group of trust companies from Ontario and one from New Brunswick asking for a charter calling themselves the Bank of Western Canada. You stated in your earlier testimony that there was a surplus of deposits in western Canada. Now you have stated that it is to the best interest of the trust companies to have a close working relationship with a chartered bank. What have you to set

my fears at rest that you will not be using western deposits to the advantage of some 20 trust and loan companies, all but about two or three of them in eastern Canada?

Mr. COYNE: Only one of the trust companies is in the initial group of shareholders in the Bank of Western Canada. There are only four trust companies in our group, two of whom are in western Canada exclusively and two of whom are in Ontario exclusively. There are subsidiary companies not directly related to the trust companies in the mortgage business and so on in our group, but they are not trust companies.

I appreciate your point very much, Mr. Horner. I must say that I believe—but I may be wrong—that the banking system draws funds out of western Canada to make loans in other parts of Canada. A bank established in western Canada would not do that, and we would not intend to do that.

With regard to a relationship with eastern trust companies, we have said on several occasions that these trust companies in our group have banking connections now with existing chartered banks. As far as we are concerned, we do not wish to disturb that relationship. It is possible that we must recognize, however, that the other chartered banks would not care to continue to have us as customers. They may tell us they do not want us as customers because of this relationship that you have mentioned, indirect though it is. But so far as we are concerned, the purpose of establishing the Bank of Western Canada is to have an operating bank in western Canada, a business enterprise which, by operating there will serve the interests of the people of western Canada.

It has been suggested that we are asking for a very great privilege in asking for a charter for this purpose. It is, of course, a privilege to get a private bill through Parliament, but surely we are not asking that we be given a monopoly of any kind or any special privilege that we are not prepared to see anybody else have. We are quite prepared to see a hundred different banks chartered. We are not monopolists or the big fellow, we are David among half a dozen Goliaths. All we ask, gentlemen, is that you do not tie one hand behind our backs because we need both of them.

• (10.30 a.m.)

Mr. HORNER (*Acadia*): Mr. Chairman, I would like to put a question to Mr. Elderkin.

I presume that in your capacity as Inspector General of Banks one of your duties is to advise banks and, if they over-extend themselves in any one segment of the economy, you bring this to their attention. As you know, the livestock industry, particularly in the province of Alberta, is very large and banks have a huge stake in this industry. Banks either can make or break the fall market through their handling of loans.

Mr. CHRETIEN: Tough steak.

Mr. HORNER (*Acadia*): I am thinking of a period last fall, for example, when banks—and I am referring not only to one bank but practically all banks in western Canada, which would be fewer than eight, had a tendency to call in their money from the livestock industry.

Mr. Elderkin, I do not imagine that this would be because of any direction given by you. But, can the chartered banks, as they operate today in Canada, get together and agree amongst themselves that the livestock industry does not

look particularly good and that perhaps they ought to withdraw from it? I was just using the livestock industry as an example. Is it feasible that chartered banks do get together at certain times to withdraw from certain segments of the industry on their own accord and without direction from you?

Mr. ELDERKIN: Certainly not on direction from me at any time. On occasions in the past we have told them that they should not enlarge in a certain industry because of the general marketing conditions—and that may be world wide marketing conditions—but we never tell them to call a loan.

Mr. HORNER (*Acadia*): But the chartered banks, as they operate today in Canada, can get together and discuss the advisability of loaning in any segment of the industry.

Mr. ELDERKIN: Yes, I would think so.

Mr. HORNER (*Acadia*): There is nothing to stop them from doing so.

Mr. ELDERKIN: There was a provision in Bill No. C-102 to the effect that they would be prohibited from any agreements on rates of interest on loans or rates on deposit; but it would be quite possible that this could happen if the banks decided that a certain industry was over-loaned, if you will, whether they got together or not, or whether they just followed in one another's footsteps.

Mr. HORNER (*Acadia*): But, there is nothing stopping them from getting together. However, there is legislation in respect of combines—and I am thinking, particularly, of the automobile industry.

Mr. ELDERKIN: Services do not come under the Combines Investigation Act and banks provide a service.

Mr. HORNER (*Acadia*): It is something like a public utility.

Mr. ELDERKIN: A quasi one, anyway.

Mr. COYNE: If I may interrupt, Mr. Chairman, the word "services" is a very broad term and it includes laundries, hotels and so on.

The CHAIRMAN: Yes, and hockey.

Mr. COYNE: I think what conceivably might happen with regard to banks, without thinking in terms of conspiracy or collusion, is that where a certain industry became overloaned, as Mr. Elderkin has said, he never would suggest to the banks as a whole that they were so overloaned, but conceivably he might say to one bank: "You are getting out of line with the rest of the banks; you are getting yourself exposed in too large a degree in one particular industry." And, without him entering into it, the banks might decide that they do not want to make new loans in that particular industry or loans to new entrants in it; they would continue going along with the people already there and, to some extent, with loans already made, or they might want them whittled down. However, it is a matter for each bank to decide for itself, whether it wishes to enter into an agreement or act wholly on its own. And, we have said if our new bank is incorporated we would act entirely on our own judgment and would not enter into agreements dealing with matters of that sort.

Mr. HORNER (*Acadia*): That is what I meant when I referred to the livestock industry and the fall run. In this connection it should not be a question, in my opinion, of foreclosing a particular loan but of advancing more money to take care of the needs at hand and holding the market up. If no one

has any money they cannot buy cattle, the result of which is a drop in prices. My concern is the matter of the banks further extending themselves in this particular industry because, otherwise, it would have a pretty drastic effect.

Mr. COYNE: I think you would have a much healthier condition in that industry today if you had 25 banks instead of just 8.

Mr. HORNER (*Acadia*): I agree with you.

I would like to direct a question to Mr. Elderkin at this time. Is there any person in the Federal Government who has a similar job to yours but who has authority over trust companies? You are the Inspector General of Banks, and I am just wondering whether you have a counterpart who would exert some authority over trust companies.

Mr. ELDERKIN: Well, as you know, there is the Superintendent of Insurance and federal trust companies come under his supervision.

Mr. HORNER (*Acadia*): But, he does not inspect the books of the trust companies, does he?

Mr. ELDERKIN: Yes, the federal ones, as well as the federally incorporated loan companies.

Mr. HORNER (*Acadia*): But, only the federal ones?

Mr. ELDERKIN: Yes, only the federal ones. By arrangements with certain provinces—and I am thinking particularly of Nova Scotia, New Brunswick and Manitoba—he inspects the books of all trust and loan companies incorporated under their legislation, but that is by arrangement with the provinces because he has no authority to do it otherwise.

Mr. HORNER (*Acadia*): Mr. Chairman, the reason I put the question and made the comments I did was this. To quite an extent the success of this new charter will depend, to my way of thinking, on the stability of the 20 odd trust or loan companies which are directly or indirectly connected to the applicants.

Mr. COYNE: Gentlemen, all the trust companies in our group, of which there are four, are inspected by the appropriate bodies. The York Trust in Ontario is inspected by the Ontario Department of Insurance; Fort Garry Trust in Winnipeg is inspected by the Federal Department of Insurance because there is an understanding there that they do this particular job; the Alberta Fidelity Trust Company in Edmonton and Calgary, under new arrangements set up by the Alberta Government for the first time have established a registrar or superintendent of trust companies.

Mr. HORNER (*Acadia*): When I referred to some 20 trust and finance companies I was referring to the group in which the British International Finance of Canada has absolute or general effective control, and it may be that there are only four directly connected to the Bank of Western Canada.

Mr. COYNE: Only four are trust companies.

Mr. HORNER (*Acadia*): Well, I am going down the whole list, call them what you may: Trust companies, finance companies, first mortgage, credit corporations and so on; they are all similar institutions of one form or another. There are 22 companies in this breakdown which we have before us.

Mr. MORE (*Regina City*): Do you agree that the stability of the Bank of Western Canada is affected by of these loans and trust companies?

• (10.40 a.m.)

Mr. COYNE: No, I do not think it has any bearing on the matter at all. This will rest entirely on the bank's management and the supervision of Mr. Elderkin.

Mr. MORE (*Regina City*): In an indirect way he has criticized management.

Mr. HORNER (*Acadia*): I think the management is pretty smart.

Mr. MUNRO: I missed some of the proceedings, Mr. Chairman.

The CHAIRMAN: Perhaps, Mr. Munro, you have just called to my attention that Mr. Macdonald had just indicated that he wanted to speak before you raised your hand.

Mr. MACDONALD (*Rosedale*): Mr. Munro can go ahead. I thought I had been recognized some time ago.

Mr. MUNRO: Is there anything in this legislation—I take it there is not—preventing you, once you are set up, from merging with another bank?

Mr. COYNE: There is nothing in the charter itself. That is determined by the Bank Act and by the consent which is required from the government.

Mr. MUNRO: Is it conceivable that after receiving the consent of the government which is required you could merge with another bank?

Mr. COYNE: It is conceivable, but when the matter came up the other day we said we had no such intention whatsoever. It is also conceivable the Bank Act might be amended in such a way as to impose further restrictions or safeguards on future mergers.

Mr. MUNRO: What is your feeling regarding this trend towards mergers? I assume that you are opposed to it?

Mr. COYNE: I would rather not put it in quite those narrow terms. I would rather say the trend towards reduction in the number of banks, however it has come about, has gone on far too long and it would be desirable, by action of parliament in response to petitions, to reverse the trend and establish more banks.

Mr. MUNRO: I would like to ask a question on which perhaps Mr. Macdonald could elaborate. Was there any such limitation in the proposed bank bill?

Mr. MACDONALD (*Rosedale*): I did not understand your question.

Mr. COYNE: Was there any change in government policy on this point?

Mr. ELDERKIN: It requires a two-thirds majority of the shareholders of both banks and the approval by the Governor-in-Council.

Mr. MACDONALD (*Rosedale*): I would like to ask Mr. Coyne a number of questions on the issue of subordinated debt as it might be related to this particular incorporation. Taking it step by step, am I right in my understanding that when the charter is issued, under chapter 48 of the 1954 Bank Act, the banks two principal sources of capital would be capital stock and the deposits of the depositors?

Mr. COYNE: Yes.

Mr. MACDONALD (*Rosedale*): Would you regard the incorporation of one's charter as having the power to acquire further funds by way of subordinated debt, that is by obligation of the bank subordinated to the rights of depositors?

Mr. COYNE: I do not believe we have any authority at present to issue such obligations. Mr. Elderkin says they do not.

Mr. MACDONALD (*Rosedale*): Would you regard it as assisting in the competitive position of banks such as the one you propose if they did have power to acquire funds in that way?

Mr. COYNE: I have not given the matter much thought. I think in the case of the larger banks I certainly do not see any need for it, and on the whole my view would be that it is unnecessary and undesirable, but I have not given it too much thought.

Mr. MONTEITH: I mentioned earlier and possibly at the first meeting, Mr. Chairman, that you might contact the Bankers' Association regarding whether or not they would like to make a presentation to this committee. Did you do so?

The CHAIRMAN: Not directly, however I think I indicated to the committee that at our first meeting when we heard evidence on this bill the Director of the Association was in the audience and I exchanged a few words with him by way of courtesy. He did not indicate to me at that time any interest on the part of his group in attending, and I presume that if there were such an interest the individual in question would have communicated with us by now.

Mr. McLEAN (*Charlotte*): I have a short question here which I would like to pose to the Inspector of Banks. It says here:

Banks new and old.

It would be silly to expect very intelligent discussion of applications for new bank charters by a parliament which will not face the twice postponed revision of the Bank Act. No rational body would be discussing new charters before deciding what the terms for all banks are to be in the next ten years.

I would ask Mr. Elderkin if he agrees with that.

Mr. ELDERKIN: Might I ask which paper that was?

The CHAIRMAN: I understand you are quoting a columnist in the *Financial Times*?

Mr. ELDERKIN: I do not see any particular reason why this should affect the granting of a charter at all. The bank would have to submit itself to whatever are the laws when parliament sees fit to pass a revision of the act. It will affect them just as it will affect the present banks.

Mr. McLEAN (*Charlotte*): Would it make much difference then what we do here? It is what we do in parliament on the Bank Act that will affect them.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): At least it gives them a chance to become established.

Mr. McLEAN (*Charlotte*): We might as well give them a chance.

The CHAIRMAN: Mr. Elderkin, it might be appropriate for you now to do whatever you indicated you wanted to do.

Mr. ELDERKIN: Thank you, Mr. Chairman. There were two things I wanted to bring up: first, in answer to an inquiry from Mr. Horner who asked how many bank branches there were in Winnipeg at the end of January 1966, there were 142 branches.

The other point is that I would like to make a correction of the record. In his opening statement Mr. Stevens referred to statistics which indicated that the

banks had tripled their net transfers to inner reserves before losses in 1965 as compared with 1963. He quoted published figures, namely \$24.3 million in 1963, \$58.7 million in 1964 and \$75.7 million in 1965. Unfortunately the published figures for 1965 were incorrect as an amount of \$31 million was included under this heading which should have been under shareholders equity. The correct figure should have read \$44.7 million, which was less than that in 1964 and not quite double that in 1963. I thought the correction should be on the record.

Mr. HORNER (*Acadia*): I have some more questions with regard to the question of the banks getting together. Was there any direction from you, Mr. Elderkin, or any thought expressed by you with regard to the stopping of overdrafts or the allowance of overdrafts?

Mr. ELDERKIN: I had nothing to do with it.

Mr. HORNER (*Acadia*): The banks just got together on their own and initiated this new policy?

Mr. ELDERKIN: They offered as a reason the fact that they are gradually going to automate and that automated draft accounting is rather difficult. The other point is that, according to the banks, it entails a considerable amount of work, considerably more than operating on a note basis. These are the two reasons.

● (10:50 a.m.)

Mr. MONTEITH: I have just one supplementary question, Mr. Chairman.

Would it ever have been suggested by the Bank of Canada to the chartered banks that they should not allow overdrafts?

Mr. ELDERKIN: Not to my knowledge. I doubt very much that it was ever suggested.

Another thing about overdrafts is that normally the overdraft rate of interest is about half a percentage point higher than the rate on borrowing under a note. When you get up against the six per cent ceiling there is no half per cent available.

Mr. HORNER (*Acadia*): Mr. McLean raised the question whether this charter should be granted before the Bank Act is revised by Parliament. Would it not be true that the shares of this chartered bank would go up considerably if Parliament brought in a new bank act with a ceiling of seven per cent interest rate rather than the present six per cent?

Mr. ELDERKIN: It is anybody's guess.

Mr. HORNER (*Acadia*): I do not think anyone is going to guess wrong on that one! They probably know that the shares would be more valuable.

Mr. ELDERKIN: It would not necessarily mean higher earnings to the bank if they raised their deposit rate. One of the things the banks have asked with respect to the increase in the loan rate is that they may make compensating increased rates on their deposits in order to be able to compete effectively with other financial organizations.

If they raise their deposit rate at the same time as they raise their rate on loans, the result will not be that their earnings are any greater.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Have you any idea what percentage of the total deposits is in the hands of the chartered banks at the present time?

Mr. ELDERKIN: I cannot give you that figure now, but it is the vast majority of them.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): They seem to be able to compete fairly well, you mean?

Mr. ELDERKIN: To a great extent because I think they extend privileges with their deposits, such as checking, and so forth. Some of the trust companies do also, I will admit.

I will say, Mr. Cameron, that, for some time, the rate of growth in the deposits of what are termed near banks has been much greater than the rate of growth in the chartered banks.

Mr. HORNER (*Acadia*): You stated in an earlier testimony that you believed your bank would operate out of public deposits rather than out of any segment of industry or the economy or any large company holdings. But with the limited number of branches you hope to set up initially in western Canada, how do you feel your bank will get the deposits?

Mr. COYNE: You are quite right that the more branches you open the bigger probably the volume of deposits you can achieve; but on the other hand it might be too expensive, particularly in the earlier days, to open a great many branches. It is just a question, therefore, of making the best judgment you can. It is a business judgment as to how many banks to open, how soon, where, and what size, and so on. This being the first new bank of this character established in 50 years, we should go fairly carefully and start with just a few branches. Once we have found that they go well—if they do, as I hope they will—then we can expand further.

Mr. HORNER (*Acadia*): I do not know anything about where the deposits are in western Canada, but your initial plan is to open branches in five large cities in western Canada. Do you believe the deposits are greatest in the cities in western Canada? In other words, do you think the surplus of deposits over loans is greatest in the cities in western Canada?

Mr. COYNE: No, I do not think that. Undoubtedly, the greater volume of deposits is in the cities, partly because the greater population is there and partly because people in the country often keep their bank accounts in the city. However, the greatest surplus of deposits over loans, if you break it down town by town and city by city, is in the country. We do not propose to break it down constituency by constituency, however.

Mr. McLEAN (*Charlotte*): May I say a word about deposits?

At one time I was in the Bank of Nova Scotia and I learned that the towns of New Glasgow and Kingston, Jamaica, had the largest deposits in the Bank of Nova Scotia. It may be hard to believe.

Mr. HORNER (*Acadia*): In connection with branches, is it your eventual hope to establish branches across western Canada, including rural areas and the cities?

Mr. COYNE: Over a period of years, yes.

Mr. HORNER (*Acadia*): It is your eventual hope?

Mr. COYNE: Yes.

Mr. HORNER (*Acadia*): How many years do you suppose this will take?

Mr. COYNE: I really cannot form a hard judgment on it. It is a question of how successful we are from year to year whether we take the next step forward. But there are only a certain number of cities in western Canada in which we will have a branch. Before we are in every city, we will presumably want to put branches into towns and country districts.

The CHAIRMAN: Gentlemen, if there is no further discussion on the preamble at this stage, I suggest we might consider one other item of business while we are awaiting the arrival of Mr. Lambert, who I understand is expected at any moment.

The final two clauses referred to the committee by the House are clauses 6 and 7. If the amendments before us are accepted, they would become clauses 11 and 12.

I would invite the committee to consider presenting a motion that, as a consequence of inserting new clauses 6 to 10 inclusive, assuming that they are accepted by this committee, present clauses 6 and 7 be renumbered as clauses 11 and 12. We might then proceed to consider the present clauses 6 and 7 as renumbered.

Mr. MORE (*Regina City*): Is that not putting the cart before the horse, Mr. Chairman?

The CHAIRMAN: Your point is well taken. I thought this was something we might consider in order to use the time of the committee effectively. An alternate way to do this would be to consider clauses 6 and 7 without voting on them, and then to consider them definitively afterwards.

Mr. COYNE: I think Dr. Ollivier said they would be renumbered automatically.

The CHAIRMAN: The clerk tells me that it has been the practice for the record of the committee itself that a motion should be required; it may not be strictly required for the reprinting. Perhaps, using the alternate suggestion I have mentioned, I should ask if we have any questions at this point without putting the matter to a final vote on the present clause 6, which could well be amended to read clause 11.

Are there any questions or comments on the present clause 7 which might be renumbered as clause 12?

Mr. HORNER (*Acadia*): Did you pass clause 6?

The CHAIRMAN: I am not calling for votes; I am just trying to use the time of the committee in order to dispose of discussion at this point. Clause 6 would appear to actually work an amendment to Schedule A of the Bank Act to list another bank with both official French and English names under which it can carry on business, as well as dealing with the authorized capital stock and head office.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You are referring, are you, to clauses 6 and 7 in this copy?

The CHAIRMAN: Have you the reprint?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes, I have the reprint.

The CHAIRMAN: If you are looking at the reprint, which is completely unofficial, it will be clause 11.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I understand; that is what was confusing me.

The CHAIRMAN: Does anybody have any questions or further comments to raise at this point on present clause 7, or clause 12 of the reprint?

Mr. HORNER (*Acadia*): I would like to ask for a general comment from either Mr. Stevens or Mr. Coyne on the name of the Bank of Western Canada, why it was chosen and whether any other names were considered.

Mr. COYNE: Why it was chosen? It was chosen because it was thought it represented accurately the purposes of the bank and the nature of the business it would primarily be concerned with. It is a good name. Everybody in western Canada and elsewhere to whom we spoke thought it was a good name and an appropriate name. I do not know whether any other name was seriously considered. No, I think this was the name that I would have thought was *the* name right from the start because this project in my thinking was to be a bank in, of and for western Canada.

• (11.00 a.m.)

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): As a matter of curiosity, are you like other middle westerners in that you cut off western Canada at the Rocky Mountains and do not include British Columbia in the over-all picture?

Mr. COYNE: Yes, I include British Columbia, and I sometimes include northwestern Ontario.

Mr. HORNER (*Acadia*): Is it true that no other name was really considered in the early stages of this planning?

Mr. COYNE: Do you mean for this bank?

Mr. Horner (*Acadia*): Yes.

Mr. COYNE: No, I do not think so, but I am not sure what you have in mind.

Mr. HORNER (*Acadia*): Well, as you know, this bank has its origination in several trust companies with varying names and I just wondered whether you considered adopting a conglomeration of trust company names into this bank.

Mr. COYNE: No, that never occurred to us. Really, we do not attach the same importance to trust companies as you do in reference to this project.

The concept of a Bank of Western Canada is something I had in my mind for a considerable length of time. When I became associated with Mr. Stevens, he was developing various financial institutions and he had the idea in the back of his mind of some day establishing a new bank. I told him that my interests at that time concerned the establishment of a bank of Western Canada and if he could participate—I really should not put it that way because Mr. Stevens has been the driving force, much more than I have. But, so far as I am concerned, there has not been any other name than the Bank of Western Canada, regardless of all the trust companies there might be.

Mr. HORNER (*Acadia*): But, you will have a very close working relationship with the trust companies?

Mr. COYNE: In western Canada, yes. As you know, we have two there, the Fort Garry Trust Company in Winnipeg and the Alberta Fidelity Trust Company in Alberta, and we certainly expect to be very friendly with them. But, we

are not going to cut off any connections with other companies; we are open to do business with anyone.

Mr. HORNER (*Acadia*): Why have you not established a trust company in Saskatchewan?

Mr. COYNE: Well, perhaps, Mr. Horner, it is a question of time, for one thing; do not rush us because we might do so.

Generally, we like to find a group of local people who are interested in this project themselves; the same applies to Vancouver which, perhaps, has more trust companies than these other places. But, we are open for suggestions from any interested group in Saskatchewan or British Columbia who are interested in participating.

Mr. STEVENS: Mr. Chairman, if I might enlarge on that point, reference was made to various trust companies, and it has been suggested that perhaps at one time this may have had some bearing on the choice of a name for this bank. I would say if there has been any tendency in our group to name trust companies it is solely to identify the company with the area in which it is going to be active.

In the case of York Trust we felt that this was a very appropriate name because of York county, which is the county in which the city of Toronto is situated. The name "York" had very wide acceptance and, for that reason, it was chosen. Lambton Loan Company, which was not named by us, was formed in 1844, and they adopted the county name in which the city of Sarnia is located. Now, with respect to our trust companies in the west, Winnipeg is another good example and, in my opinion, we should choose a name that we feel indicates the area in which the company is active. We chose Fort Garry Trust in Winnipeg. In the province of Alberta the company name is Alberta Fidelity Trust, an older name, but which, in our opinion, should not be changed in any way. That should be continued. In the case of the Bank of Western Canada we felt the name was descriptive of what we had in mind, namely a bank that primarily would be active and having its head office in that portion of western Canada starting at Winnipeg and going to the Pacific Ocean. But, so far as an alternative name is concerned, there has not been a suggestion made at any time of such an alternative name in the sense of something different from the Bank of Western Canada.

Mr. HORNER (*Acadia*): You have waited two years for this charter. As an editorial stated a while ago, you did not consider that it might be wise for you to wait another six months until such time as the Bank Act is brought forward, and then apply for a charter.

Mr. STEVENS: I believe, as was mentioned by Mr. Elderkin on Thursday, the fact that the Bank Act may or may not be revised in this session or within this year does not seem to have any direct relevance on whether or not we get the charter. In fact, I think you could argue that if near the time of a new act revision no new incorporations would be considered you, in effect, would be putting a moratorium on sections of the Bank Act. The Bank Act provides very clearly that you can incorporate a new bank. Now, we feel—and, of course, we have felt this way for over two years—that we would like to form a new bank. The provisions are clear; we have met the provisions, and we are willing to accept whatever restrictions or curtailments are put in the new Bank Act. But,

our fear in waiting for the possibility of having the Bank Act revised is that it, in fact, will not be revised, say, within a year, and that we still would be waiting.

Mr. HORNER (*Acadia*): But, surely there will have to be revisions some time soon.

Mr. COYNE: But, who knows? The Bank Act operates reasonably well as it is.

Mr. STEVENS: Parliament has extended it twice so far.

Mr. HORNER (*Acadia*): But, we cannot go on forever extending it one year at a time.

Mr. STEVENS: All we are saying, gentlemen, is that the existing Bank Act provides for the incorporation of a new bank. We feel we have met the various requirements, and rather than ask us to wait for Bank Act revisions, which you say may not come within the next few months, we are asking that our application be considered on its merits at the present time.

The other point I would like to mention, Mr. Horner, in connection with your suggestion that there be some interrelationship between our other trust companies and the Bank of Western Canada, is this. I think, as was mentioned in evidence earlier, there certainly is no proposal or suggestion in our mind that the Bank of Western Canada, in fact, would, become the banker to the group. I can assure you this will not happen.

Mr. HORNER (*Acadia*): Well, why would it not happen? What guarantee or assurance can you give us that it will not happen?

Mr. STEVENS: I would say one of the very obvious reasons is that we need banking connections in our group. The Bank of Western Canada is not one which would be of help to us. As I mentioned, we deal presently with six of the eight chartered banks in Canada, and we wish to keep this relationship established because our dealings with, say, the Royal Bank of Canada, the Bank of Nova Scotia and the Mercantile Bank of Canada is a valuable one for any group to maintain, and the fact we would have a bank in the west would in no way mean that we would try or, indeed, want to sever our present relationship with existing banks.

Mr. HORNER (*Acadia*): You mentioned that you dealt with six of the eight banks; do you mean that you borrow money from six of the eight present banks?

Mr. STEVENS: We are not borrowing from very many now. By dealing with them, I mean they handle our clearing privileges or our general accounts, and I would say at the present time we certainly have much more money on deposit with the existing banks.

Mr. HORNER (*Acadia*): But, that is because of this \$13 million.

Mr. STEVENS: No; we have more money on deposit with existing banks than we borrow from them and our borrowings from existing banks are quite small. However, the associations you have with these banks have to be maintained.

For example, under the Bank of Western Canada, as formed, we have no correspondent banking relationship with other banks throughout the world, and you probably would have to go to an existing bank to have that kind of a relationship.

Mr. MONTEITH: Mr. Chairman, I would like to put a question on the possibility of any future mergers. It has been indicated that this certainly is the farthest thing from the minds of Mr. Coyne and Mr. Stevens, so I am assuming, under these conditions, they would agree to have something put in the present charter to that effect. But, at the same time this would have no effect when the amendments to the Bank Act came out, if they did not, in turn, have something in it to cover his particular situation.

Mr. ELDERKIN: That is right, Mr. Chairman.

The CHAIRMAN: Are there any further questions on the preamble at this time?

Mr. HORNER (*Acadia*): Would you wait a moment, Mr. Chairman. Mr. Lambert is not going to be here until 11.30. We normally adjourn at 12 o'clock. As you know, we have not a quorum at the present time and, therefore, I would suggest that we adjourn right now, allowing the preamble to stand due to the fact that Mr. Lambert is not here. I see no purpose in coming back at 11.30 and sitting until 12 o'clock.

Mr. MONTEITH: Mr. Chairman, I do not think we will be able to obtain consent to sit this afternoon while the House is sitting, and I do not imagine the Chairman wants to press the point.

The CHAIRMAN: I do not know how long the members of the committee intend to continue the discussion but if it appears that we are on the home stretch in respect of our consideration of this bill I was going to suggest to the committee that we might consider adjourning until Mr. Lambert's arrival, and then continue our discussion.

Mr. HORNER (*Acadia*): The thing is, Mr. Chairman, you are not going to be able to obtain a quorum because members will be going their own separate ways. Then, you might decide to do what you did this morning, proceed without a quorum, to which I object very strongly. I think it is very wrong and, in my opinion, there is no authority to carry on in such a way. If this practice was continued it would set a precedent which would upset the whole committee procedure. If this practice were continued, eight members of the committee could walk in and, with the consent of the Chairman, start a meeting. These same eight members could dismiss this bill or any other bill. Because of this, Mr. Chairman, I strongly object to the procedure which was taken this morning.

The CHAIRMAN: But, Mr. Horner, if you had been here you would have heard me state that this procedure was suggested to those present for the purpose of taking evidence and questioning these persons only and there was no suggestion on my part that any votes would be taken on the bill itself or on matters of procedure. When the quorum was obtained I interrupted the proceedings to obtain a motion, after having recognized the quorum being present, and invited a motion to the effect that what was taken before be incorporated in the formal record of the proceedings. This seemed to meet with the approval of those present when we had a quorum at that time.

Mr. HORNER (*Acadia*): I think you have handled it very well, Mr. Chairman, and I am not objecting to that. However, I am objecting to the principle of this. As you know, there have been changes made in the rules of the House in respect of committees, which has changed the whole committee set-up from

what we used to have. We used to have committees which operated with 60 members and, at times, the quorum was reduced to 10 or 15 members. Now, we have committees operating with 24 members. Emphasis has been placed on our attendance at these meetings and it was believed that quorums easily could be obtained. Now, Mr. Chairman, let us see whether or not the new rule changes are effective. This is the reason for my objections.

It is my submission, Mr. Chairman, that if we cannot obtain a quorum then we should not proceed at this time.

Mr. MACDONALD (*Rosedale*): Mr. Chairman, may I suggest that we meet at 11.30 and then continue on until 12.30 in order to dispatch this bill, if we can.

Mr. HORNER (*Acadia*): How can you do that without a vote on it?

Mr. MACDONALD (*Rosedale*): Well, that is fine; let us go to 11.30 a.m. and see if we can get a quorum at that time. If we do get a quorum then we will continue on. However, if we are unable to obtain a quorum at that time I agree with Mr. Horner that we cannot proceed.

Mr. MONTEITH: I suggest that the individual members of the committee contact their respective whips in respect of this matter.

The CHAIRMAN: We are in this position now because there was an attempt made by the Chair to extend a courtesy to Mr. Lambert.

Mr. HORNER (*Acadia*): I agree.

The CHAIRMAN: And, as far as I am concerned, as your Chairman, I did not consider that extending this courtesy would create a precedent which would apply when we got to the consideration of public bills.

Since we are in the situation that we are I suggest that we adjourn until 11.30 in order to see what the situation will be at that time.

Some hon. MEMBERS: Agreed.

The committee adjourned until 11.30 a.m.

● (11:40 a.m.)

The CHAIRMAN: Gentlemen, we have a quorum. I will now call the committee to order.

Mr. MONTEITH: Mr. Chairman, we had expected Mr. Lambert to be here. He is not, as is obvious, but I would like to suggest we go right ahead. We appreciate your courtesy in adjourning the meeting for 15 minutes to give Mr. Lambert a chance to be here.

I would like to ask Dr. Ollivier if the amendments now before us meet the original intent of Bill No. 102?

Dr. P. M. OLLIVIER (*Parliamentary Counsel and Law Clerk*): They use practically the same wording. Some small points might have been changed to meet Bill No. 102 as introduced last year. I do not know about the bill introduced this year, although I imagine it will be pretty much along those lines.

Mr. MONTEITH: Does that mean that no more than ten per cent of the holdings can be held by any non-resident?

Dr. OLLIVIER: That is the amendment that was introduced the other day.

Mr. ELDERKIN: No, the ten per cent amendment that was introduced was on the total non-resident holding, but the other ten per cent is still in the bill, that is the ten per cent on any individual.

Mr. MONTEITH: Is that still in the bill?

Mr. ELDERKIN: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Dr. Ollivier, is the amendment which reduces the total holdings from 25 per cent to 10 per cent now in conformity with Bill No. C-102?

Dr. OLLIVIER: There was an amendment proposed by Mr. Lewis.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There is an amendment here which increases the permissible total of foreign ownership to 25 per cent. Is that right?

Mr. COYNE: May I explain that, Mr. Cameron? You were not here before. In the original draft prepared by the sponsors of the bill there is a limit of ten per cent on non-residents. When Bill No. C-102 was introduced in the House of Commons last year it proposed 25 per cent. When we proposed the other day to adopt the provisions of Bill No. C-102 we automatically took in that 25 per cent instead of the original ten per cent which we suggested, and when this was pointed out, we said we had no interest in having it as high as 25 per cent. Therefore, as far as we are concerned, it can go down to ten per cent even though that is more restrictive than Bill No. C-102.

Mr. MONTEITH: I have one further question. As I said earlier, I had not examined these amendments in detail. Does this not mean that any of the present shareholders must divest themselves down to a holding of ten per cent?

Mr. ELDERKIN: If the same provisions appear in the Bank Act, they will gradually have to divest themselves down to ten per cent.

Mr. MONTEITH: Are these the same provisions that were in Bill No. C-102? According to the present amendments they will have to divest themselves down to ten per cent over a period of time.

Mr. ELDERKIN: Yes, under the rules of the Treasury Board.

Mr. MONTEITH: Of course, if the Bank Act requires something different, that will be superseded.

The CHAIRMAN: Are there any further comments or questions? If not, I will bring to the attention of the committee that we appear to be ready to vote first on the sub-amendment moved by Mr. Lewis and seconded by Mr. More that wherever, in the amendment, 25 per cent occurs as a total for stockholding by non-residents, it be changed to ten per cent. Is that sub-amendment agreed to?

Motion agreed to.

We then have before us a motion by Mr. Lambert, seconded by Mr. Coates, that clause 5 of Bill No. C-111 be deleted and certain amendments which have been distributed to us at a previous meeting be substituted therefor.

Mr. MACDONALD (*Rosedale*): Mr. Chairman, I have a point of order. I think there was a further sub-amendment to these amendments. I do not think it was actually put forward by anyone.

The CHAIRMAN: I am going to call the clauses individually. The motion which I referred to was one to substitute the one which is now before us. Does this motion meet with the approval of the committee?

Motion agreed to.

Clauses 5 to 8 inclusive as amended agreed to.

The CHAIRMAN: I will now invite a motion from the committee that new clause 9 be dealt with along the lines of the proposed amendments that have been distributed to the members of the committee.

The suggestion made by the parliamentary agent is that clause 9 of Bill No. C-111 be amended by renumbering the said clause as sub-clause one and adding thereto the following as sub-clause two. I am not going to read what follows because I believe the text has been distributed to the members of the committee. I would like to invite a motion from the committee that this amendment be dealt with.

Mr. CHRÉTIEN: I so move.

Mr. CLERMONT: I second the motion.

Motion agreed to.

Clauses nine to ten inclusive as amended agreed to.

The CHAIRMAN: I invite a motion from the committee that as a consequence of inserting new clauses six to ten inclusive, present clauses six and seven be renumbered as clauses 11 and 12.

Mr. CHRÉTIEN: I so move.

Mr. COMTOIS: I second the motion.

The CHAIRMAN: Motion agreed to.

Clauses six and seven inclusive as amended agreed to.

Preamble agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill as amended?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: I would like to invite the committee to consider presenting a motion that Bill No. C-111 to incorporate the Bank of Western Canada be reprinted as amended by this committee for the use of the House of Commons, and that such reprinting cost be payable by the promoters of the said bill.

Mr. CLERMONT: I so move.

Mr. LAFLAMME: I second the motion.

Motion agreed to.

Mr. MONTEITH: Is this customary?

Dr. OLLIVIER: It is when there are as many amendments as there are here. Of course, it will be reprinted in third reading form.

Mr. MONTEITH: Who paid for the original printing?

Dr. OLLIVIER: The proposed bank will pay for it.

The CHAIRMAN: I believe there is something in the standing orders which imposes an obligation on the promoters of a private bill.

I do not propose to deal with this now but there is still before us on the agenda a motion on an amendment dealing with the organization of the Sub-committee on Procedure and Agenda. I suggest that another motion be tabled at the next meeting. It is my thought we might have a special meeting before we get our next order of business.

Mr. CASHIN: I so move.

Mr. CHRÉTIEN: I second the motion.

Motion agreed to.

Mr. MONTEITH: Please do not hold it at 9.30 in the morning, Mr. Chairman.

The CHAIRMAN: No. That is why I thought we would dispose of this first.

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OF
PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, MARCH 24, 1966

Respecting

Bill S-14, An Act to amend the Bills of Exchange Act

INCLUDING FOURTH REPORT TO THE HOUSE

WITNESS:

Mr. C. F. Elderkin, Inspector General of Banks.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,	Comtois,	Lewis,
Basford,	Grégoire,	Macdonald (<i>Rosedale</i>),
Cameron (<i>Nanaimo-</i>	Hees,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Horner (<i>Acadia</i>),	Monteith,
Cashin,	Irvine,	More (<i>Regina City</i>),
Chrétien,	Lambert,	Munro,
Clermont,	Lamontagne,	Stafford,
Coates,	Leboe,	Valade—25.

Dorothy F. Ballantine,
Clerk of the Committee.

ORDERS OF REFERENCE

WEDNESDAY, March 16, 1966.

Ordered,—That the name of Mr. Thompson be substituted for that of Mr. Leboe on the Standing Committee on Finance, Trade and Economic Affairs.

FRIDAY, March 18, 1966.

Ordered,—That Bill S-14, an Act to amend the Bills of Exchange Act, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

MONDAY, March 21, 1966.

Ordered,—That the name of Mr. Leboe be substituted for that of Mr. Thompson on the Standing Committee on Finance, Trade and Economic Affairs.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORT TO THE HOUSE

MARCH 28, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

FOURTH REPORT

Your Committee has considered Bill S-14, An Act to amend the Bills of Exchange Act, and has agreed to report it with the following amendment:

New Clause 4

Insert new clause 4 as follows:

4. Section 165 of the said Act is amended by adding thereto the following subsection:

- (3) Where a cheque is delivered to a bank for deposit to the credit of a person and the bank credits him with the amount of the cheque, the bank acquires all the rights and powers of a holder in due course of the cheque.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issue No. 4) is appended.

Respectfully submitted,

HERB GRAY,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 24, 1966.

(7)

The Standing Committee on Finance, Trade and Economic Affairs met at 10:20 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Andras, Basford, Cameron, (*Nanaimo-Cowichan-The Islands*), Chrétien, Comtois, Gray, Horner (*Acadia*), Laflamme, Lambert, Leboe, Lewis, Macdonald (*Rosedale*), McLean (*Charlotte*), Monteith, More (*Regina City*) Munro (16).

In attendance: Mr. C. F. Elderkin, Inspector General of Banks.

After informal discussion and questioning, the Committee commenced consideration of Bill S-14, An Act to amend the Bills of Exchange Act.

On motion of Mr. Andras, seconded by Mr. Horner (*Acadia*),

Resolved,—That the evidence adduced this morning prior to the formal opening of the meeting be incorporated as part of the committee's records.

On clause 1

Mr. Elderkin explained the purpose of the Bill, and was questioned. Clause 1 was carried.

Clauses 2 and 3 were carried.

On motion of Mr. Chrétien, seconded by Mr. Laflamme,

Resolved,—That Bill S-14 be amended by adding thereto, immediately after clause 3 thereof, the following new clause 4:

4. Section 165 of the said Act is amended by adding thereto the following subsection:

- (3) Where a cheque is delivered to a bank for deposit to the credit of a person and the bank credits him with the amount of the cheque, the bank acquires all the rights and powers of a holder in due course of the cheque.

After discussion and questioning, new clause 4 was carried.

The Title was carried, and the Bill, as amended, was carried.

Ordered,—That the Chairman report the Bill, as amended.

On motion of Mr. More (*Regina City*), seconded by Mr. Comtois,

Resolved,—That the Committee cause to be printed 750 copies in English and 300 copies in French of the Minutes of Proceedings and Evidence.

The Committee then proceeded to sit *in camera* to consider the following motion of Mr. Monteith, made at the organization meeting of February 17, 1966:

That a Sub-Committee on Agenda and Procedure be appointed, composed of the Chairman and a number of members to be appointed by him after consultation with the Party Whips.

and the amendment of Mr. Lambert:

That the words following "the Chairman" be deleted and the following substituted therefor: 'and two representatives from the Liberal Party, two from the Progressive Conservative Party and one representing the other Parties, with provision for alternates, as the case may require.'

After discussion, by unanimous consent, Mr. Monteith and Mr. Basford, the mover and seconder of the original motion, withdrew their motion, and it was agreed that the following be substituted therefor:

That a Sub-Committee on Agenda and Procedure be appointed, composed of the Chairman, and two representatives from the Liberal Party, two from the Progressive Conservative Party, and one representing the other Parties, with provision for alternates, as the case may require.

On motion of Mr. Basford, seconded by Mr. Leboe,

Resolved,—That the words following "the Chairman" be deleted and the following substituted therefor: "the Vice-Chairman, two representatives of the Liberal Party, two representatives of the Progressive Conservative Party, and one representative each from the New Democratic, Ralliement Cr ditiste and Social Credit Parties."

The resolution regarding the composition of the Sub-Committee on Agenda and Procedure is therefore as follows:

That a Sub-Committee on Agenda and Procedure be appointed, composed of the Chairman, the Vice-Chairman, two representatives of the Liberal Party, two representatives of the Progressive Conservative Party, and one representative each from the New Democratic, Ralliement Cr ditiste and Social Credit Parties, with provision for alternates, as the case may require.

At 11:15 a.m., the Committee adjourned to the call of the Chair.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

THURSDAY, March 24, 1966.

The CHAIRMAN: Gentlemen, I suggest we begin an informal meeting for the purpose of questioning the witness, with the understanding that there will be no motions on the Bill or otherwise until we do have a quorum. Of course a formal motion will have to be made, once we have a quorum, to incorporate the informal proceedings into the record. If there are no objections, I would like to call an informal session to order.

Before us on our agenda is Bill No. S-14 to amend the Bills of Exchange Act. We have with us as our witness today Mr. Elderkin, the Inspector General of Banks.

I will call upon Mr. Elderkin to give an introductory statement on Clause I.

MR. C. F. ELDERKIN: (*Inspector General of Banks, Department of Finance*): Mr. Chairman, and Hon. members, the Bill has been fairly fully explained by the Parliamentary Secretary at the time of its second reading, but perhaps a few comments on my part would be helpful. As many of you know, there is no legislation in the Bank Act, the Bills of Exchange Act, or the Canada Labour (Standards) Code, which requires a bank to close or to remain open on any particular day. However, the banks consider that they have an obligation to meet any honoured bill which falls due on a business day or on a juridical day unless they are relieved of the responsibility by legislation.

With this background we might speak on Clause 1 first. The only change that has taken place here is to enable a bank to treat a cheque in the same manner on a non-juridical day or on a Saturday, if it is open, as it would on any other business day. In other words, at the present time, if a cheque is presented for payment on a Saturday or on a non-juridical day when the bank is open and the cheque is dishonoured, it cannot be considered as dishonoured until the next business day.

MR. LAMBERT: Why was this change made in 1951?

MR. ELDERKIN: In 1951 the banks approached the government to the Bills of Exchange Act to permit the bank employees to have a five-day week. Saturday was not made a non-juridical day but it was made a non-business day. It comes up in a separate section of the act, Section 6. Nevertheless, banks do remain open on Saturdays in some communities and under some circumstances. This would permit them, under those circumstances, to deal with a cheque in the same manner as they would on any other business day. This they could not do before.

MR. LAMBERT: I am wondering if you know the explanation for this derogation from the principles in the Bills of Exchange Act to make Saturday a non-business day.

Mr. ELDERKIN: It was made a non-business day because of the fact that the banks proposed to close on Saturday for the purpose of establishing a five-day week. At that time, you may possibly remember Mr. Lambert, there was a considerable amount of difficulty in getting staff to work for more than five days a week, and the banks were having a very difficult time recruiting staff. They therefore approached the government to make Saturday a non-business day and enable them to close.

Mr. LAMBERT: That does not answer my question. What I am getting at is why, if the banks were open on Saturday for the past 15 years, depending upon circumstances each year, and a cheque was given, shall we say, a second bounce—

Mr. LEWIS: No, no.

Mr. LAMBERT: Yes, a cheque was given a second bounce. It could be presented for payment on a Saturday when, say, a bank was not opening on a Monday and it allowed an hour and a half that Saturday morning to deal with its business. Cheques could then be bounced on Saturday morning without any legal liability. This is now being eliminated, and I think a little more sanity is coming back as a result of it.

The CHAIRMAN: Gentlemen, we now have an official quorum. I would like to call for a motion that proceedings up to now be incorporated in the official record.

Mr. ANDRAS: I will so move.

Mr. HORNER (*Acadia*): I will second the motion.

Motion agreed to.

Mr. ELDERKIN: You understand that this particular clause only exempts cheques but not other bills of exchange which may fall due. It is still not a legal business day for other bills of exchange. In other words, if a bill was presented on a Saturday when the banks are open, according to this particular clause it would still be dealt with the next business day. This does not apply to cheques.

Mr. MONTEITH: Is there any other clause that would affect this?

Mr. ELDERKIN: Not if the bank is open. Other bills of exchange are affected by the juridical days whether the bank is open or not.

Mr. MONTEITH: If you are going to make Saturday a legal day for business, what is the purpose of holding up other instruments?

Mr. ELDERKIN: This is not a legal day of business. The banks may open on that day, and it is only when they do open that this particular case applies. We are not making it a legal day for business in any other respect.

Mr. LEWIS: You are speaking of banks being open. Is it not a fact that firms and businesses dealing with the banks are closed on Saturdays also?

Mr. ELDERKIN: This was one of the problems with staffs back in 1951 because Saturday became a holiday throughout the whole system.

Mr. LEWIS: Not only staff problems. The reason for this was that something might happen at the bank and the bank might be unable to get in touch with its customer. There is nothing insane about it.

The CHAIRMAN: May I ask a question for my own clarification? Would some explanation for this arise from the fact that most people who want to use banks on Saturdays would be individuals who deal with cheques more than other bills of exchange?

Mr. ELDERKIN: The real reason, as far as banks are concerned, is that the normal bills of exchange, such as notes or drafts, which become due on a Saturday, are still carried over to the next business day which is normally a Monday, but there are some signs that some people were using Saturday as a non-business day to carry "float", as we call it, over the week-end. This will enable the bank to dishonour the cheques just the same.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is too late now.

The CHAIRMAN: That is why it is worth attending this committee regularly.

Are there further questions with regard to Clause 1?

Mr. LAMBERT: Yes. I thought perhaps Mr. Elderkin would continue. I am primarily concerned with the proposed subclause (4), which is the new one, rather than what we have done so far.

Mr. ELDERKIN: The only thing I could add to Clause 1, before we go on, is that in some communities the banks open on Saturday and close on another day. This is particularly true in some agricultural communities where the shopping is done perhaps by the farmers who come into town mostly on a Saturday. You will find that especially in the prairies some banks will open for half a day on Saturday and close for half a day on Wednesday.

Mr. MONTEITH: In some country areas some of the banks open on, say, Wednesdays and Saturdays.

Mr. ELDERKIN: Let us now consider Clause 1(4). We say in here that this would permit them to comply with the provisions of the Canada Labour (Standards) Code in respect of holidays for employees. In the Canada Labour (Standards) Code, Section 26, for instance, it is provided that if Christmas falls on a Saturday or a Sunday the employees must have a holiday on the preceding business day or the next following business day. Since it is impossible for a bank branch to split their staff and give half the staff a holiday before that period and the other half after that period because these are, perhaps, the busiest days of the year, it would mean that the bank would either have to give a holiday on a business day and close on that business day or else they would have to pay the staff who worked on that day their normal salary plus time and a half.

Mr. LEWIS: Hear hear.

Mr. ELDERKIN: You have the option here of either doing that or closing down for that business day entirely, which would be inconvenient as far as the

public is concerned. This will also permit the bank to adjust their business customs to the community's business customs. Someone raised that fact during the second reading of the bill; perhaps it was you, Mr. Lewis. This is receiving consideration all the time. Banks might open perhaps all day Saturday for normal business hours but close perhaps all day Monday. I think that they are going to try this out particularly in agricultural communities where Saturday is the business shopping day for the local people. This relieves them of the responsibility.

Mr. LAMBERT: Do you not think we are going to get into the same nonsense of having local option on standard time? I might want to phone from here to a community, say, in western Ontario because I have business dealings with a bank there, and I might suddenly find out that under this so-called local option they have decided to close.

Mr. ELDERKIN: In many cases they have that under Section 43 of the act. In that section of the Act you will find that a legal holiday is now a civic holiday in any city, town, municipality or organized district.

Mr. LAMBERT: I know, but this is concerned with legal holidays. This only happens rarely.

Mr. ELDERKIN: This is the only time it would be used. In the case I cited they would prefer to operate, for the benefit of the community, on another five-day week altogether. They might prefer to close on Wednesday and work full-time on Saturday. But the preference of the staff is normally to work on Saturday and take a holiday on Monday, in other words to get the week-end holiday.

Mr. LAMBERT: What I am getting at is that you are working on the possibility of this local option on a year-round basis. I will admit there is a local option with regard to what you might call a local civic holiday which would happen once a year. The chances of some difference arising across the country are much less remote as things are at present. You have also got some further implications here with which I am not in agreement.

Mr. LEWIS: Mr. Lambert, what is wrong with it? I understand we are being told that if other businesses in the locality observe another day than Saturday as a holiday then this would permit the bank to observe the same day just as the other local business firms do. What is wrong with that? It might inconvenience Mr. Lambert if he wants to get in touch with the west but it would be of great benefit to all the people in western Canada to have the bank open on the same day they are open rather than to have the bank closed when they are open and vice versa.

Mr. MONTEITH: I think Mr. Lewis is simply speaking of free enterprise at this stage.

Mr. LEWIS: I am talking freedom, and don't you ever identify the two? Your great mistake is to think they are the same; they are not.

Mr. ELDERKIN: This is not likely to happen except in a case I will mention later. It is not likely to happen except perhaps in some types of communities such as agricultural communities. I think this is the best example. However,

there is one outstanding example in which it might be used, and that is in a large majority of the branches in Canada where Boxing Day is now a legal holiday in the province or in the community while in a fairly large minority of the branches it is not a legal holiday. As you will understand, Mr. Lambert, this presents decided difficulties, apart from anything else, in clearing times when you are working in a national system. The banks proposed—and did it last year—to close on Boxing Day throughout the country. They did this with a notice to customers in places where it was not a legal holiday, but, theoretically, they were closing on a business day in that community and, theoretically if not practically, they were not meeting their obligations to be open on a business day. This relieves them of that responsibility. They can close the whole system down when, for instance on a day such as Boxing Day, a large part of the system is closed by law.

Mr. LAMBERT: Mr. Chairman, my point is that if I happen to be here in Ottawa and I want to telephone some point with regard to a cheque that is being presented as a result of a transaction here in Ottawa, I might run into local option. The rights will then be affected here. However, if there were some uniformity, the case would be different. I will put it to you, Mr. Elderkin, that there is a great deal of value in the certainty regarding uniformity of the banking system. I have very grave doubts about the efficacy of this.

I know one other reason why the banks want this, that on late shopping nights a lot of them want to have their suburban shopping plaza branches open.

Mr. ELDERKIN: This would not affect the opening of a branch; it only affects the closing of a branch. They can open it now. There is nothing to stop them.

Mr. LAMBERT: It does if they are going to be alone. If they open on, say, a Thursday late shopping night, it means that under the Canada Labour (Standards) Code they would have to go somewhere else.

Mr. ELDERKIN: Not if they gave time off to their employees.

Mr. LAMBERT: But you cannot hire staff. These are the practicalities.

Mr. ELDERKIN: They can compensate their staff by giving time off under the Canada Labour (Standards) Code. They do it now. They do give time off in compensation for the evening hours.

Mr. LAMBERT: Or else compensation is given and they work with a reduced staff on an ordinary business day.

Mr. ELDERKIN: Not necessarily. The normal custom of the banks is to compensate their employees by adding that time to their annual holiday.

The CHAIRMAN: Are there any further questions?

Mr. LAMBERT: I have a question on Clause 1(c). It is said here:

Failure to do any act or thing by reason of the branch not being open for business on that day does not give rise to any rights.

Mr. ELDERKIN: You can see this does not give rise to any rights under the Bills of Exchange Act. In other words, it becomes due the next day.

Mr. LEWIS: May I say with respect that the drafting here is a little bit sloppy.

Mr. ELDERKIN: You will find the same thing above where it says "gives rise to the same rights".

The CHAIRMAN: I believe the clause begins as follows: "In all matters relating to bills or notes".

Mr. ELDERKIN: That is right. If you will look at the introduction you will find the wording is clear.

Mr. LEWIS: Even though I am a lawyer I have never dealt with commercial law, but are there no other rights than rights that might flow from either having the bill there or not?

Mr. ELDERKIN: No, it is only the rights that flow from the fact that the bill may be due on that day, but the right is carried over until the next day.

Mr. LEWIS: What you really mean is that it does not give rise to any rights which would otherwise accrue as the result of such a failure.

Mr. ELDERKIN: Yes.

Mr. LEWIS: Do you think that is the way it would be interpreted?

Mr. ELDERKIN: Yes.

The CHAIRMAN: Are there any further questions regarding any part of Clause 1?

Mr. MORE (*Regina City*): Mr. Elderkin, as I understand it, if the banks in our community wished to follow that practice, they would close on Mondays, when other businesses closed, and open on Saturdays.

Mr. ELDERKIN: Under the Act they would also be permitted to treat Saturdays as a business day as far as cheques are concerned.

Mr. BASFORD: Which allows them to be responsive to the community.

Mr. ELDERKIN: The real idea behind this is that we are trying to introduce a little more flexibility.

Mr. BASFORD: It is typical that Mr. Lambert should want rigidity.

Mr. LAMBERT: Hardly. The only thing is that you also found perhaps that, with the odd situation with regard to time, this is going to be the same. For instance, one of the difficulties is with local options.

● (10:35 a.m.)

The CHAIRMAN: Are there any further questions on clause 1?

Clause 1 agreed to.

On clause 2.—*General*

The CHAIRMAN: Mr. Elderkin, have you any preliminary comments to make on clause 2?

Mr. ELDERKIN: Mr. Chairman, I think this was quite fully explained by the Parliamentary Secretary. Actually, it is fully explained in the explanatory notes. I can run through these briefly.

The first one is to remove Easter Monday from the list of non-juridical days. Easter Monday is not now generally celebrated as a holiday. Normally in most communities it is regarded as a business day and not as a legal holiday, and it is specified as such under the Canada Labour (Standards) Code. This has proven to be a very great inconvenience because the banks, in order not to remain closed for more than three days, have been opening on Saturday, although it is not a business day, and closing on Easter Monday because it is a non-juridical day. This will take Easter Monday out of that list and allow the banks to close on the Saturday before Easter, that is the day after Good Friday.

The next paragraph is simply a clearing up item. The terminology of the language at the present time lists Victoria Day and Dominion Day as non-juridical days, which are to occur on the next Monday when they fall on Sunday. They cannot fall on a Sunday any more because under the Dominion Day Act and the Victoria Day Act they now always fall on a Monday. This paragraph clears that particular matter up.

The third is a matter of bringing the wording up to date more than anything else. They used to have an expression in here about general fast; this was taken from the old British Bills of Exchange Act many years ago. We do not have general fasts in this country any more or, so far as I know, in any other country.

Mr. LEWIS: General fast? That is unfortunate for me.

Mr. LAMBERT: Could I raise a point that I think Mr. Cameron and I have wondered about. What is a day of public rejoicing?

Mr. ELDERKIN: I noticed that but I do not think I should comment upon it.

Mr. LAMBERT: Who determines that?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There is a day of mourning and then a day of fasting.

Mr. LAMBERT: Is a day of public rejoicing described anywhere in the Interpretation Act?

Mr. ELDERKIN: Not by that act, but it can be by proclamation.

Mr. LAMBERT: It is by proclamation?

Mr. ELDERKIN: Yes.

The CHAIRMAN: It is something like V.E. day.

Mr. LEWIS: Or, Coronation Day.

Mr. ELDERKIN: Yes, and this can be done by federal proclamation.

Mr. LEWIS: But, not election day.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is a day of general mourning.

The CHAIRMAN: Are there any further questions on clause 2?

Clause 2 agreed to.

On clause 3,—Protest of inland bill

Mr. ELDERKIN: Gentlemen, an interesting point was raised in the discussion on second reading with regard to the difference in terminology between the amendment here where it provides that "it is not necessary", and the former note of this section, where it says: "It shall not be necessary". The Interpretation Act states that the law is always speaking and, therefore, when it is expressing law it should be stated in the indicative mood. Actually, there is an error in quoting the section in the note. That is the section which appeared in the 1927 revised statutes and in the 1952 revised statutes the section was re-worded in the affirmative. So, the error is not in the bill; it is in the note. I will bring this to the attention of Dr. Ollivier when he is reproducing it.

Mr. LAMBERT: Mr. Chairman, this is what I was referring to. I was saying the wording in the present amendment coincides with the wording in the revised statutes of 1952, but that the notation gave another version of what existed today. Actually, the note is wrong.

Mr. ELDERKIN: The note is wrong but, if it were right, it would be quite proper to change it, of course, into the affirmative in the bill. But, as you say, the note is wrong; it is a quotation from the 1927 revised statutes instead of the 1952 revised statutes.

The CHAIRMAN: This will be taken care of when the bill is reproduced.

Mr. ELDERKIN: The notes are a matter for legal counsel, and that will be taken care of.

I do not think there is anything else in this. I think the Parliamentary Secretary explained it quite fully. The amendment, as you know, is to put Quebec on the same basis as all the rest of the country so far as the dishonouring of a bill is concerned, and this has the approval of the Chambre des Notaires and the Prime Minister of Quebec.

Mr. LAMBERT: Now we have the reverse principle; we have uniformity coming into the bill.

The CHAIRMAN: This may be the start of a new trend.

Mr. LEWIS: Do not raise your hopes too high.

The CHAIRMAN: If there are no further official comments I invite questions on clause 3.

Clause 3 agreed to.

Mr. ELDERKIN: The banks have asked for a further amendment and the Minister has agreed.

Mr. CHRÉTIEN: Mr. Chairman, I want to move an amendment.

The CHAIRMAN: Has everyone a copy of the amendment?

Some hon. MEMBERS: No.

The CHAIRMAN: I will have copies distributed. I will give those who have not had an opportunity of studying it a moment to do so now.

Mr. LAMBERT: I would like to get a copy of the Bank Act. Perhaps Mr. Elderkin has an extra one.

Mr. ELDERKIN: I have only my working copy with me.

The CHAIRMAN: Mr. Elderkin has only his loose leaf copy.

Mr. LAMBERT: I just wanted to see whether there is any relation and in what context it is.

Mr. ELDERKIN: I will read the rest of the section; it is 165 of part III of the act.

The CHAIRMAN: Just a moment. First of all, I think this motion should be properly moved and seconded.

Mr. CHRÉTIEN: I move that Bill No. S-14, an act to amend the Bills of Exchange Act, be amended by adding thereto, immediately after clause 3 thereof, the following clause:

4. Section 165 of the said act is amended by adding thereto the following subsection:

- (3) Where a cheque is delivered to a bank for deposit to the credit of a person and the bank credits him with the amount of the cheque, the bank acquires all the rights and powers of a holder in due course of the cheque.

Mr. LAFLAMME: I second the motion.

Mr. ELDERKIN: The relative section to which this is an addition says that a cheque is a bill of exchange drawn on a bank, payable on demand. This amendment is added in here because it is the most appropriate place to cover the situation. At the present time the general business practice is that cheques are stamped or written with an endorsement which reads: "For deposit" or "deposit only to the credit of the payee". If the bank deposits that to the credit of the payee and later finds out that the cheque is to be dishonoured—in other words, that it is N.S.F.—under the present act the endorsement, according to case law, is considered to be a restricted endorsement; the bank has acted as an agent and not as a principal and, therefore, has no recourse whatsoever against the drawer of the cheque. He has recourse only against the payee. Situations arise from time to time because of the practice today of trying to expedite business where a deposit will be made without checking to see whether or not the cheque is good.

The payee, quite often, will draw against the cheque and if at that time it is found, after being returned through the clearing, to be N.S.F., the recourse is only against the payee. The only purpose of this amendment is to put the bank in a position of having recourse against the drawer if they cannot claim against the payee.

Mr. LAMBERT: But, would this not have the effect of allowing the payee to resist a charge back to his account?

Mr. ELDERKIN: No. In the first place, I think it is the practice today that when you open an account you give authority to the bank to charge back.

Mr. LAMBERT: Yes, I know, but as the law stands now the bank is merely the agent of the payee.

Mr. ELDERKIN: Yes.

Mr. LAMBERT: And, therefore, in law, it could not hold the dishonoured item on its own account since it was the agent and, therefore, it had the full right to charge back because, as an agent, it had no rights. I say now that it acquires the fullest rights and is no longer the agent of the payee; it is a full person, a principal, in the chain of the transaction, and I am wondering what implications this may have.

Mr. ELDERKIN: The implication is right because you will find that the customer always signs a document to the effect he may be charged with any N.S.F. items.

Mr. LAMBERT: Granted.

Mr. ELDERKIN: It makes no difference.

Mr. LAMBERT: I am not so sure that they will interpret it that way.

Mr. ELDERKIN: Well, they have.

Mr. LAMBERT: As you proposed?

Mr. ELDERKIN: This does not take anything from the drawer at all. This coincides with what the bankers say, that this does not take anything away from the banks' rights with respect to the payee; it only puts them in the position of having a right against the drawer of the cheque. But, claim must be made against the payee first.

Mr. LAFLAMME: Would you just repeat what you have said regarding the rights of banks. I believe you said they had a right against the drawer if they cannot claim against the payee.

Mr. ELDERKIN: Yes. It is the intent that they normally would claim against the payee first because he owes him first.

Mr. LAFLAMME: But, you say he has a right and, I suppose, in due course he has the right against anyone.

Mr. ELDERKIN: That is perfectly true. It is the same as an endorsement, if there was an endorsement; if the payee had endorsed his cheque and deposited it at that place the bank would be in the position, you see, of having been a principal and it would have the rights against the drawer under these circumstances as part of a transaction; but if the bank simply deposits it to the credit without an endorsement then it is only acting as an agent. There are two case laws on it, one of which was in 1962 with regard to the Imperial Bank.

Mr. McLEAN (*Charlotte*): I think I can expand on this because I was a teller years ago. I know we had to hold funds a certain length of time in the account to protect the depositor; but if it went along, say, for a week or ten days and then the cheque came back the depositor could hold the bank responsible.

Mr. LEWIS: Mr. Chairman, I would like to say that unless there is a rush for this as one member of the committee I would not like to have to vote on it today. I do not entirely follow the explanation and this may not be because of my total ignorance of the law and the cases referred to but perhaps because of an ingrained suspicion of the banks whenever they seek additional rights. I would

like to make certain what these rights are and I would like to have some time to study it and to consult some other people who have some knowledge of this field.

Mr. ELDERKIN: I think I can give you an explanation quite easily, Mr. Lewis. It perhaps puts the bank in the same position as if the payee had endorsed the cheque for deposit.

Mr. MONTEITH: If a man endorses a cheque and deposits it in his account then the bank does have recourse against the payee and the drawer. But, frequently, I have had occasion to tell my partners in Stratford to deposit a cheque to my account, and they simply will put on the back: "Deposit to the account of the payee".

The CHAIRMAN: That is, without the payee actually signing it.

Mr. MONTEITH: Yes.

Mr. LEWIS: Well, I appreciate that explanation, but those words could carry a wide meaning.

Mr. ELDERKIN: I do not think they do, Mr. Lewis, if I might say so.

Mr. LEWIS: Well, it may be on account of some ignorance on my part of the law but, however, I would like to learn more about this.

Mr. ELDERKIN: I think the explanation is relatively simple. This custom has grown and is very general now in the banking system. When the Bank Act or the Bills of Exchange Act were written many years ago there was no such manner of treating cheques; you had to endorse your cheque, if you were going to get cash for it or it was going to be credited to your account. But, in order to facilitate particularly business this custom has grown to the extent that I think Mr. Monteith would support me when I say that people in business today will endorse their cheques in this manner simply for deposit only and the bank will give the depositor a credit for the amount in the same way as he would give him a credit if he had endorsed it without this stipulation on it. All that is being done here is putting this particular type of business transaction into the same category legally as it would if the person had endorsed a cheque.

Mr. LEWIS: I follow that explanation entirely and have done so from the start. But, obviously, those words that are before us do not necessarily lead to that conclusion except in the total context of the banking business; there is nothing here that says: "That refers to a cheque which is endorsed for deposit only." None of the things are in these exact words. What you are saying—and I am sure you know what you are talking about—is that these words taken in the context of (a) business practice, (b) banking practice and (c) case law, lead to the conclusion you wish them to lead to. I am ready to accept that for the time being. But, I would like to make certain, for my own satisfaction, that before I vote on it that these words are not also capable, in the total context, of some other interpretation or some wider application than you assure me they are. Having appeared before the courts on several occasions I have noted that words mean certain things in some courts and then in some higher courts they will interpret the words entirely differently. I hope you will forgive me for wanting you to get some additional information.

Mr. ELDERKIN: I can say that the words are put there by the Department of Justice. This is an amendment which was drafted by the legislation section of the Department of Justice.

Mr. LEWIS: I am not questioning that at all. All I am arguing is for some time to study this matter, if there is not any rush. If you need it tomorrow, that is a different thing.

Mr. ELDERKIN: Well, Mr. Lewis, there is a rush in getting the bill through. The bill with the amendments will have to go back to the Senate. There is a definite desire to get the bill through before Easter because if we do not we will still be in the same fix over the Easter holidays as we were in the past.

Mr. LEWIS: In that case I will reserve my right to raise an objection if I am told I should.

Mr. BASFORD: Is the payee or the holder of the account put under any greater liability than he was previously?

Mr. ELDERKIN: No. The payee still has recourse against the drawer of the cheque.

Mr. BASFORD: He acquires no additional liability?

Mr. ELDERKIN: No. He always has the liability under his contract with the bank to reimburse the bank if it is a chargeback.

Mr. BASFORD: But, this is a pre-existing liability?

Mr. ELDERKIN: Yes, and it has not changed in any way.

The CHAIRMAN: Unless the committee unanimously agrees that this clause stand or unless a motion to table is approved we have no recourse but to proceed—

Mr. LEWIS: If I may interrupt you, Mr. Chairman, I do not want to hold it up. If, on the other hand, Mr. Elderkin has not given me the full explanation of this I will object some other time.

Mr. ELDERKIN: Well, I tried to.

Mr. LEWIS: I am sure you did.

Clause 4 agreed to.

Title agreed to.

The CHAIRMAN: Shall the bill, as amended, carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN: Shall I report the bill, with amendment?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: I would like to invite a motion at this time that the committee cause to be printed 750 copies in English and 300 in French of the Minutes of Proceedings and Evidence relating to Bill No. S-14.

Mr. BASFORD: Does anyone wish this morning's proceedings?

The CHAIRMAN: I am informed by the Clerk that since this is a public bill the proceedings are printed in any event. However, I gather the committee must decide how many copies are to be printed.

Mr. LEWIS: We do not need any copies.

Mr. MORE (*Regina City*): If it has to be printed it does not matter whether you print 100 or 750.

The CHAIRMAN: The Clerk has informed me that the number required for the ordinary purposes of Parliament would come close to that number because, as you know, a copy is required for each member of the house and the Senate. Also, there may be some interested members of the Press Gallery and representatives of the business community. Because of this the number is not as large as it may appear at first glance.

Mr. MORE (*Regina City*): I move that we cause to have printed 750 copies in English and 300 copies in French of the Minutes of Proceedings and Evidence.

Mr. COMTOIS: I second the motion.

Motion agreed to.

The CHAIRMAN: The next item on the agenda is one that has been tabled on several occasions, namely the composition of the steering committee or as it is sometimes referred to, the Subcommittee on Agenda and Procedure. Because this is of a procedural nature I was going to suggest that perhaps it would not be necessary to have this reported and at this time we might go into more of a closed session.

Mr. LAMBERT: I will move that we go off the record at this time.

Mr. LAFLAMME: I second the motion.

Motion agreed to.

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OF
PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

THURSDAY, MARCH 31, 1966

THURSDAY, APRIL 28, 1966

Respecting

Bill C-144, An Act to amend the Bretton Woods Agreement Act

INCLUDING FIFTH REPORT TO THE HOUSE

WITNESSES:

From the Department of Finance: Mr. A. B. Hockin, Assistant Deputy Minister, Mr. L. D. Hudon, Canadian Director, International Bank of Reconstruction and Development; *From the Bank of Canada:* Mr. R. W. Lawson, Deputy Governor.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,	Comtois,	Lewis,
Basford,	Flemming,	Macdonald (<i>Rosedale</i>),
Cameron (<i>Nanaimo-</i>	Grégoire,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Hees,	Monteith,
Cashin,	Irvine,	More (<i>Regina City</i>),
Chrétien,	Lambert,	Munro,
Clermont,	Lamontagne,	Stafford,
Coates,	Leboe,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

ORDERS OF REFERENCE

FRIDAY March 18, 1966.

Ordered,—That Bill C-144, An Act to amend the Bretton Woods Agreements Act, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

WEDNESDAY, April 27, 1966.

Ordered,—That the name of Mr. Flemming be substituted for that of Mr. Horner (*Acadia*) on the Standing Committee on Finance, Trade and Economic Affairs.

Attest.

FRIDAY, March 18, 1966.

LÉON J. RAYMOND,
The Clerk of the House.

REPORT TO THE HOUSE

May 2, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

FIFTH REPORT

Your Committee has considered Bill C-144, An Act to amend the Bretton Woods Agreements Act, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issue No. 5) is appended.

Respectfully submitted,

HERB GRAY,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 31, 1966.

(8)

The Standing Committee on Finance, Trade and Economic Affairs, having been duly called to meet at 9:30 o'clock a.m., the following members were present: Messrs. Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cashin, Chrétien, Gray, Irvine, Laflamme, Lambert, Lewis, McLean (*Charlotte*), Monteith (11).

In attendance: From the Department of Finance: Mr. A. B. Hockin, Assistant Deputy Minister; Messrs. W. A. Kennett and A. G. Darling. From the Bank of Canada: Messrs. R. W. Lawson, Deputy Governor, and W. C. Hood, Special Advisor to the Governor.

There being no quorum, the members present agreed to the Chairman's suggestion to proceed informally and to hear evidence relating to Bill C-144, An Act to amend the Bretton Woods Agreements Act.

Mr. Chrétien, Parliamentary Secretary to the Minister of Finance, made a brief statement and introduced the witnesses.

Mr. Hockin made a statement outlining Canadian views on international liquidity. The Chairman directed the Clerk to distribute copies of the statement to members of the committee.

Mr. Hockin and Mr. Lawson were questioned.

The proceedings were adjourned at 11:00 a.m. to the call of the Chair.

THURSDAY April 28, 1966.

(9)

The Standing Committee on Finance, Trade and Economic Affairs met at 11:30 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cashin, Clermont, Comtois, Gray, Irvine, Lambert, Leboe, Lewis, McLean (*Charlotte*), Montieth, More (*Regina City*), Munro, Stafford (15).

In attendance: From the Department of Finance: Mr. A. B. Hockin, Assistant Deputy Minister; Mr. L. D. Hudon, Canadian Director, International Bank of Reconstruction and Development; Mr. W. A. Kennett. From the Bank of Canada: Mr. R. W. Lawson, Deputy Governor.

On motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Leboe,

Resolved,—That the minutes of proceedings and evidence of the meeting of March 31, 1966, be incorporated as part of the committee's official records; and that two tables relating to the International Monetary Fund, provided by the Parliamentary Secretary to the Minister of Finance, be included as appendices to this day's minutes of proceedings and evidence. (*See Appendices A and B.*)

The Chairman announced that the following have been appointed to act, along with the Chairman and Vice Chairman, on the Sub-Committee on Agenda and Procedure: Messrs. Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Grégoire, Lambert, Leboe and Monteith.

The Committee resumed consideration of Bill C-144, An Act to amend the Bretton Woods Agreements Act.

On clause 1

Mr. Hockin and Mr. Hudon were questioned.

Mr. Hudon presented a table showing increases in subscriptions to the International Bank, and on motion of Mr. Clermont, seconded by Mr. Leboe,

Resolved,—That the table of increases in subscriptions to the International Bank be included as an appendix to this day's minutes of proceedings and evidence. (*See Appendix C.*)

Mr. Hockin tabled a transcript of a press briefing on the International Monetary Fund held in Washington on April 22, 1966.

On motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Clermont,

Resolved,—That the transcript of the press briefing tabled by the witness be included as an appendix to this day's minutes of proceedings and evidence. (*See Appendix D.*)

Clause 1 was carried.

Clause 2, the Title and the Bill were severally carried.

Ordered,—That the Chairman report the Bill without amendment.

At 12:25 p.m. the committee adjourned to the call of the Chair.

Dorothy F. Ballantine,
Committee Clerk.

EVIDENCE

(Recorded and Transcribed by Electronic Apparatus.)

THURSDAY, March 31, 1966.

The CHAIRMAN: I think for the purposes of hearing evidence and questioning of witnesses this meeting will be held with the usual reservation that no votes will be taken unless and until there is an official quorum present. Before beginning the meeting proper I would like to bring to the attention of those present the notice that was put before you. It was put before you because instead of committee reporters we have a transcription system; the point of this notice from the chief interpreter is that we should speak directly into the microphone.

(Translation)

I would ask the members of the Committee to speak into the microphone since we have no official reporters.

(English)

As our first witness, so to speak, I call upon the Parliamentary Secretary to the Minister of Finance to give a preliminary statement.

(Translation)

I would ask Mr. Chrétien, Parliamentary Secretary to the Minister of Finance to start.

(English)

Mr. MONTEITH: I would just ask, Mr. Chairman, if the Parliamentary Secretary is also one of the members of the committee.

The CHAIRMAN: He is an active member.

Mr. MONTEITH: Thank you very much.

Mr. CHRÉTIEN: Mr. President, I have not many comments to make now but I would first like to introduce the experts we have from the department. To my left we have Mr. A. B. Hockin, who is Assistant Deputy Minister, Department of Finance; we have Mr. R. W. Lawson, Deputy Governor of the Bank of Canada; Mr. W. C. Hood, Special Advisor to the Governor of the Bank of Canada; Mr. W. A. Kennett, from the Financial Affairs and Economic Analysis branch of the Department of Finance and E. G. Downing from the Department of Finance.

(Translation)

Mr. Chairman, we had to study this bill at the resolution stage in the House as well as at the second reading stage. On behalf of the Minister, I made a statement to the effect that this bill amended the Bretton Woods agreements. That legislation has been brought before the House in order to fulfil the

undertaking taken by the Minister of Finance in 1964, at the meeting of the International Monetary Fund. It was then agreed that each participating country in the Monetary Fund should increase its contribution by 25 per cent in order to improve the liquidity situation internationally which is of such a nature to improve commercial relationships between various countries.

We thought we would bring before you this morning the principal experts of the Bank of Canada or the Department of Finance who will be ready to answer the questions you might want to put either on the Monetary Fund itself or on the problems of international liquidity. You could, then, put any questions you would like to put in the circumstances.

Mr. Hockin will make a preliminary statement and I will join you as a member of the Committee.

(English)

The CHAIRMAN: I understand, Mr. Hockin, you have a preliminary statement?

(Translation)

Mr. CHRÉTIEN: Mr. Hockin will make a preliminary statement and I will inform the committee members as a private member.

(English)

Mr. LAMBERT: If I may at this point interrupt, there appears to be a lacuna in the proceedings in the House the other day when the Parliamentary Secretary said that he was tabling two tables at the request of the members of the committee. Unfortunately the Chair interpreted those as merely tabling the documents. Permission was not sought to have them inscribed in *Hansard* which was what was wanted.

The CHAIRMAN: I recall that.

Mr. LAMBERT: Therefore I wonder if at this time we could ask the Parliamentary Secretary to have the tables that he tabled in the House the other day incorporated in the committee proceedings. At the present time they are merely two documents lying as parliamentary returns and this is not what was wanted at all.

The CHAIRMAN: I think you are quite right. I was present at the time. It was one of those, as you say, lacunae that takes place in the proceedings. I think it is a very good suggestion and I have asked the Parliamentary Secretary to make those tables available to be printed in our proceedings and, Mr. Lambert, if I could ask you to make a note so that when we have the official quorum you can make the necessary motion, which, of course, we cannot have at this time. I would ask you first to make a note of that as something to be brought up at a more opportune moment. Thank you very much for bringing this to the committee's attention, Mr. Lambert.

Mr. A. B. HOCKIN (*Assistant Deputy Minister, Department of Finance*): It seemed to us that it might be helpful to the committee for the deliberations of this bill to know a little bit about where things stood in this very closely related

field of international liquidity. We have prepared a bit of a statement here that I think in summary form gives some of the background, and some of the thinkings which has gone on and if the committee would like, after they have heard the statement, we could have it reproduced and given to the members, if this would be helpful to them.

The CHAIRMAN: I think this is a good suggestion, Mr. Hockin. While this will be part of our proceedings, it takes several days before they are printed and I think it would be useful if, with the co-operation of our clerk, you could arrange to have this reproduced and distributed as soon as possible.

Mr. HOCKIN: We had hoped to have it this morning, Mr. Chairman, but I am afraid, with the events of the last couple of days, the reproduction facilities in the Department of Finance have been rather heavily taxed.

Mr. Chairman, Canada is one of the ten major industrial countries which in 1962 agreed to grant lines of credit to the International Monetary Fund amounting to some \$6 billions to strengthen the resources of the Fund. Since that time these countries and the Fund and others have conducted parallel studies of the working of the international monetary system and the means of adapting it to changing circumstances. In September 1965, at the time of the annual meeting of the Governors of the Fund, the Finance Ministers and Central Bank Governors of the Group of Ten reviewed the developments in the international payments situation and decided to undertake what they called "contingency planning".

Mr. LEWIS: Excuse my interruption, Mr. Hockin, but what are the names of the ten countries?

Mr. HOCKIN: The ten are Belgium, Canada, France, The Federal Republic of Germany, Italy, Japan, The Netherlands, Sweden, The United Kingdom and the United States augmented by Switzerland which is not a member of the Fund but which has agreed to lend Swiss francs as supplementary support for Fund operations and therefore sits in as a participating member of the group.

These Governors instructed their Deputies to examine and report in the Spring of 1966 on "What basis of agreement can be reached on improvements needed in the international monetary system; including arrangements for the future creation of reserve assets, as and when needed".

The problem now before the Group of Ten Deputies arises from recognition of two facts: first, the growth in the stock of monetary gold has not been and is not expected to be adequate to meet the needs of the international monetary system for reserves; secondly, although the official needs for reserves beyond those served by gold have been met in the main by increases in official holdings of reserve currencies, especially U.S. dollars, it now seems unlikely that, for a variety of reasons, appreciable further increases in reserves will occur in this way.

Accordingly, an attempt is being made to provide, as need arises, a supplementary reserve asset, that is to say, an asset that supplements both the U.S. dollar and gold in official reserves and in transactions among monetary authorities.

However, the need for international liquidity extends beyond that for reserve assets. This additional need is met by medium-term credit facilities the use of which is subject to requirements of varying stringency. The principal source of such credit facilities is the International Monetary Fund. The Canadian Government has welcomed the quota increases of the members of the Fund which have been agreed upon and are coming into effect. The Government is prepared to explore with other countries ways of extending and improving the services provided by the Fund to its members.

Beyond the needs for reserve assets and facilities for extending medium-term credits there exists a need for official aid to the developing countries of the world. This need is pressing. It is the Government's intention to keep our aid program under review and to develop it so that Canada can play its part in helping developing nations to reach reasonable rates of economic growth. It is possible to devise plans which would link the provision of aid and the creation of reserve assets. It is the Canadian view however that the functions of aid and reserves are quite distinct and that they can best be served by separate programs subject to separate sets of decisions.

Returning to the question of providing a reserve asset supplementary to the U.S. dollar and to gold, it is the Canadian view that the practical approach is to create a new reserve unit through the joint action of a group of countries which are able to contribute strong backing for the new unit and among which there is considerable experience of co-operation in international monetary matters. We do not feel, however, that this group of countries need be limited to the present members of the Group of Ten.

In our view one of the most difficult technical problems associated with the creation of an additional reserve unit is the problem of choosing that combination of qualities which will render it generally acceptable to monetary authorities for use by them in their transactions with each other. To this end we feel that each country providing its own currency as backing must be committed to maintaining the gold value of that backing. In addition we would emphasize the importance of providing an attractive interest yield to holders of the unit. It may also be desirable for participating countries to give formal assurances that they will stand willing to accept the new unit from other countries within agreed limits.

An expanding world economy will almost certainly require growing amounts of reserves. The amount of new units that would be suitable will have to be decided from time to time in the light of the growth of international payments, of changes in reserve holdings of gold and currencies and of developments in the credit facilities available. We favour the taking of a basic decision every three to five years as to the amount to be made available during each of the intervening years, but with provision for revisions of this basic decision if rather exceptional circumstances should warrant.

The Canadian authorities hold the view that it would be most suitable for decisions concerning the issue of the new unit to be made within the general framework of the International Monetary Fund. Such an arrangement would avoid duplication of international monetary authority and would ensure that the Fund's management, apprised of the views of all its members, could participate actively in the management of the new unit.

The Canadian authorities feel that all members of the I.M.F., whether they contribute currency backing for the new unit or not, should be entitled to hold and to use the new unit.

Decisions as to the amount of the new unit to be created should be taken in the light of decisions concerning the growth of credit facilities to be made available to countries. The two are closely related and both will be needed to meet the needs for international liquidity.

The Canadian authorities are also of the view that action to create a new reserve unit should be accompanied by steps to help meet the liquidity needs of members of the International Monetary Fund other than those who participate in the creation of the new unit. They do not as yet have firm views on how this could best be done. One possibility would be that countries not sharing in the creation of the new asset might share in its distribution either through the Fund or otherwise. Another possibility would be extensions of the drawing facilities of the Fund. A combination of these approaches would be feasible. These are important matters and they will receive the attention of a much wider group of countries than those in the Group of Ten after this latter Group has completed its present round of discussions.

Thank you, Mr. Chairman.

The CHAIRMAN: Do you have any supplementary comments on this point, Mr. Lawson.

Mr. LAWSON: No, I do not, Mr. Chairman.

The CHAIRMAN: If that is so, I think that we will now be in a position to put questions to Mr. Hockin. I believe Mr. McLean is ready?

Mr. McLEAN (*Charlotte*): Yes. We are talking about international liquidity and I am looking at the Bretton Woods agreement. It says "the par value of currency of each member shall be expressed in terms of gold as a common denominator or in terms of United States dollar of the weight and fineness in effect on July 1, 1944." I presume that is the United States gold dollar of 1944. Is that correct?

Mr. HOCKIN: Yes.

Mr. McLEAN (*Charlotte*): It seems to me that the monetary fund is being run for the benefit of the United States, and the creating of this new unit is for the benefit of the United States, not Canada.

The international report says that the United States has treasury gold of \$13,634 million and free gold of \$3,906 million and in short-term liabilities to foreigners the United States has \$29,006 million. Now, they cannot possibly meet \$29,006 million, with \$3,906 million, can they?

Mr. HOCKIN: No.

Mr. McLEAN (*Charlotte*): So this new unit is going to be created principally for the United States, is it not?

Mr. HOCKIN: Well, Dr. McLean, I do not think I would go along with that assessment of it in this respect: first of all, I think you have to remember that

the United States as a reserve currency country, a country whose currency is used as a reserve asset, is really acting rather like an international banker. If you had all the deposits in any bank called at once, the bank would have a great deal of trouble in meeting that run. The fact remains in practice that people do not do that. They want to hold the assets in the bank. A number of them use a part of it at different times; but they do not all use them at once, and the same is true internationally. For example, Canada holds a very large proportion of its reserves, close to a little over a half, in United States dollars as an earning asset. Now, we do not expect that you want to cash in all of those at one time, nor do other countries who hold them; so that the United States is not liable to a complete demand for the encashment of all the short-term assets which are expressed in United States dollars and which the United States would have to cover with gold if they were all claimed at once.

I do not think that that situation is true, in terms of the background, that the United States is really looking for cover for its \$29 billion reserves. In terms of the benefits to be gained by the proposed creation of an international asset, I think you could look at it this way, if something of this sort is not done, then because of the desire of the United States to cut down its balance of payments deficit, to stop the rapid accumulation of U.S. dollars in the hands of other people, the whole world would suffer from a shortage of international liquidity and that international trading countries such as Canada would find life rather difficult.

Mr. McLEAN (*Charlotte*): Well, the crux of the matter is right here, when the United States dollar is supposed to be converted into gold. Now, that is the crux of the matter. If they divorce their dollar from gold there would be no limit to the international liquidity because everyone would accept the United States dollar. We accept the United States dollar in Canada, do we not and we accept the Canadian dollar. We do not go into the bank to get gold. People of the world want a store value, and when we put our money in the bank, we leave it there, of course. What can we do with it? We leave it there and we use it. But just the same the purchasing power of that dollar goes down, and if you had put \$1000 in the bank in 1900 and left it there until 1920, at compound interest, you would have had the same purchasing power in 1920 as you had in 1900, so you would lose the value. The trouble with this situation is that the purchasing power of the United States dollar since 1944 has gone down to 44 cents.

Now, they say that it is gold. They would have to revalue gold. They do not have to revalue gold; they have to revalue the United States dollar. The people of the world think gold has a store of value and as a store of value it must have the same purchasing power all the time, which the United States dollar does not have. That is where they made the mistake. If they divorce the United States dollar from gold there is no trouble, if everybody accepts the United States dollar.

If they have a balance of payment, say of \$3 billion, they can go to Canada and buy whatever they want with that \$3 billion. They can go all over the world. You can go to the United States, you can go to any country in the world except France. France says, "We want the gold at the present time". But if the United States dollar was divorced from gold they would have to take it if they

wanted a United States dollar. If they did not want it they would not have to take it. We are quite content to take the Canadian dollar. The United States businessman is quite content to take the United States dollar.

There are five ounces of gold right there, and it is worth \$175, and if that was minted it would be worth \$350 anywhere in Europe.

If there is any argument against this divorcing of the United States dollar from gold it is just to save their face. That is why they keep on saying that the 44 cent dollar is a hundred per cent gold dollar. That is the crux of the matter and they will never get around it until they change their ideas.

Mr. HOCKIN: I think the only thing I should say at this point, Mr. Chairman, is that the decision of the United States as to the relationship of its currency to gold is a decision that they have to take.

Mr. McLEAN (*Charlotte*): But they run on the monetary fund. It says that the United States dollar is gold.

Mr. HOCKIN: No, that is just the basis—it is just the common denominator in which all currencies are expressed, but in terms of the running of the International Monetary Fund, the International Monetary Fund is run by all its members. To come back to the question of the relationship of the U.S. dollar to gold, the decision as to whether the U.S. dollar wishes to change the price of gold or, if you wish to put it the other way around, wishes to change the value of the U.S. dollars expressed in gold—

Mr. McLEAN (*Charlotte*): Why are we paying subsidies to the gold miner? Are we not just evading this?

Mr. HOCKIN: No. This is all done with the full approval of the International Monetary Fund. We can only do it in relation to gold which we ourselves buy. It has to be done within certain limits which the International Monetary Fund has to approve. But as long as we do it within limits in such a way that it does not, as it were, disturb the international system we are permitted to do so but we clear it each time.

Mr. McLEAN (*Charlotte*): Why would it disturb the international system when Russia comes in and buys our wheat and produces \$500 million in gold? The International Monetary Fund welcomes that and says that is fine. We pay for our wheat but we cannot pay for our gold the price it should bring. We cannot do that, because we have lost our sovereignty as far as gold is concerned. The International Monetary Fund says that you cannot pay more than \$35. I had it out with a previous finance minister who says you cannot do that. Now, we have our own mines. We can pay for copper, any price we like. We can pay for anything but gold, and we have it from coast to coast. Russia can dig the gold out of the ground and it may cost them \$75 an ounce but when they do they have an international currency. They are digging it out all the time and I would be willing to say that some of the gold may cost them \$100 an ounce but they dig it out and they have an international currency and they pay for it in their own currency. Now, why can we not do the same as Russia does? Why can we not dig out our own gold? Why are we not permitted to go and dig our own currency out of the ground, and pay for it what we wish?

The CHAIRMAN: I think that is a very interesting point, Dr. McLean.

Mr. McLEAN (*Charlotte*): I would like to have some answers.

The CHAIRMAN: Well, I am not saying that you should not have an answer; I am just suggesting that while my personal view is that the nature of the bill is such that we can wander fairly far afield with regard to the monetary situation, particularly as it affects Canada's international role, we should try to relate our comments to some extent—not to some extent—but we should relate our comments to the ability of the bill before us for decisions.

Mr. McLEAN (*Charlotte*): They are calling for more money from Canada and more gold from Canada and I think this affects us very much.

Mr. BASFORD: I suggest that the question is surely relevant to the statement. The statement was not relevant to the bill, but the question is certainly relevant to the statement.

The CHAIRMAN: I am not suggesting that Dr. McLean's question was beyond the bounds of reasonable relevancy and my comment perhaps is not directed strictly to Dr. McLean but to serve as preliminary comment to questions that might follow. I quite agree that the nature of the bill is such that to properly understand it and to vote on it as a committee we have to have a fairly broad understanding of the monetary situation in the world today and Canada's link with it. My comments are made in that spirit. Perhaps you would care to say something at this point.

Mr. HOCKIN: If you wish, Mr. Chairman. We have to keep in mind two facts about this. One of them is that the comparison with Russia has to be treated with some care because of the fact that the Russians are having great difficulty in producing goods which other countries are prepared to buy in the open market. Therefore, when they face the requirement of feeding their population they may well feel that regardless of the price, if they have one commodity which they know they can sell at the world price, they are prepared really to go to any lengths to produce it.

Mr. McLEAN (*Charlotte*): Such as what?

Mr. HOCKIN: Well, in our case I think it is true, Mr. McLean, that there are other things we produce which the world is prepared to buy which would cost us less in real terms than it would cost to mine gold, because we are prevented from receiving a price of more than \$35 an ounce when we sell it. That is the international system. We cannot break that system because the countries of the world have agreed that that is the price of gold. Now you may disagree with that price of gold.

Mr. McLEAN (*Charlotte*): The countries have not agreed. France does not agree.

Mr. HOCKIN: They buy it at \$35 an ounce.

Mr. McLEAN (*Charlotte*): Why can we not buy Canadian gold, it is ours. It is in the ground. Why cannot we buy that gold at any price because only it affects Canada; it does not affect the world.

Mr. MONTEITH: And it is used in the international exchange at \$35. We can sell it at only \$35 an ounce.

Mr. McLEAN (*Charlotte*): We can mint it.

The CHAIRMAN: Order, please. I think at this point we should try and direct our exchanges toward the witness and we will have a later opportunity for debating discussion amongst yourselves as a committee.

Mr. HOCKIN: On this point, I think it is true what Mr. Monteith has said that we can only sell it at \$35 an ounce and if we do sell it at \$35 an ounce, and we have had to pay a great deal more in excess of that figure, what we are really doing is paying a subsidy to the gold mines to produce a commodity for us to sell abroad in order to be able to import goods. I think from the point of view of the use of real resources we can do it more cheaply by allowing other goods to be produced which can be sold abroad without subsidy.

Mr. McLEAN (*Charlotte*): Is it not orthodox banking that with a 25 per cent gold backing you can issue paper money. Is it not orthodox banking?

Mr. HOCKIN: I think that nowadays that is not accepted.

Mr. McLEAN (*Charlotte*): It is accepted by the United States; that is the reason they have to keep \$10 or \$11 billion in gold behind their currency.

Mr. HOCKIN: I think perhaps they are a little more orthodox than some. We do not have that requirement now.

Mr. McLEAN (*Charlotte*): No, we have not the requirement but it has always been orthodox banking if you kept 25 per cent you could issue one hundred cents in paper. If we mint our gold in Canada we could issue a dollar against every twenty-five cents worth of gold we have in the treasury. That would be orthodox banking. So we could dispose of our gold very quickly.

Mr. LEWIS: That is also called the wall paper of Wall Street!

An hon. MEMBER: Oh, it is no insulation.

Mr. McLEAN (*Charlotte*): You head off with 25 per cent gold. You need that coverage. There is your country right there—the United States; they say so.

Mr. LEWIS: Mr. Chairman, I would like to ask Mr. Hockin this—

The CHAIRMAN: Mr. Lewis, actually, I am following the same procedure we followed up until now in working from the list for those who seek recognition. I have several other names, and your name will be added. If Mr. McLean has completed his questioning on this first round, I would like to call Mr. Lambert.

Mr. LAMBERT: Just to continue in this particular field, I was wondering whether this desire for a new international unit has arisen as a result of the experiences of the past few years: First, France's desire for something besides the United States dollar, coupled with France's insistence, almost, of a gold standard. Second, Canada's experience with raiders on its own currency in 1962

and possibly 1963. My third point would be the wish of the British to remove the pound from, shall we say, a secondary reserve unit. And last but not least, the United States are having some problems with international payments and its balances. Therefore, this is as Dr. McLean has indicated, a desire among leading financial countries of the world to set up a bulwark around their own domestic currencies.

Mr. HOCKIN: I think it is true to say, Mr. Lambert, that the feeling is general that the present system is adequate for the time being, but that we can foresee problems arising in the future because of the expected failure of the presently constituted forms of international reserve assets to grow sufficiently to enable countries to pursue domestic policies which are considered appropriate for their own country, and not just by them but are accepted generally as being appropriate.

Now, behind this kind of general statement there are, of course, many strands. I think it is true to say that the United Kingdom is finding that sterling is held by fewer people than say was the case 50 years ago, as an international currency, and that certainly for a time, the holding by other countries of sterling balances was a bit of a problem for the United Kingdom because they always had to be afraid that if sterling was under pressure these countries could withdraw their currency. And this, I think, did colour their thinking for a while. I think that the United States has quite clearly given evidence that they feel that the continued growth of international holdings of United States dollars at the rate at which they were growing in recent years created some threat to the United States. They felt that countries such as France were saying "We no longer want U.S. dollars. Therefore, any U.S. dollars we get we are going to cash in for gold", and this created a threat to the U.S. holdings of gold. Therefore, I think that they have felt they want to cut down the accumulation of U.S. dollars, and they have instituted various balance of payments measures, as well know, to achieve that objective.

The upshot of this has been that there is a general feeling that at some time in the future the existing holdings of international reserve assets, or the expected increase in them, just will not be enough in relation to the requirements of the trading world to give people enough holdings of assets that they will feel secure. The danger is that if they do not feel secure in the holding of international assets which they could use in time of trouble, they will respond almost too quickly, and in very restrictive ways to any balance of payments difficulties they would get into. And in this situation you could have an increasingly restrictive world. That is, I think, the general feeling.

I think it is a mistake to say it is just an effort by the major reserve countries to protect themselves. I think it is the feeling on the part of all countries that in that sort of situation everybody would try to protect himself and you could have as a result, with growth of barriers to trade which it is feared would interfere with the possible growth of domestic economies and of the world trading economy too.

Mr. LAMBERT: This is one of the reasons why this is being looked at. At the present time the United States domestic policy is so closely linked to the pres-

tures of the U.S. dollar in the international field that the United States would like to, shall we say, insulate itself against these immediate pressures on the international side.

Mr. HOCKIN: Quite clearly their balance of payments problem is a major domestic political problem that they are trying to deal with. I think it is perhaps inappropriate for me to comment on that, but I think it is fair to say this: I think the United States is aware of the impact on the rest of the world over the long run of the determined effort by them over a number of years to reduce and eliminate their own balance of payments deficit. They are afraid that some other people may not fully understand from their own point of view what this could do, and therefore they are trying to emphasize to the world the importance of planning now for something to take the place of the increase in U.S. dollars which they have declared they are not going to permit.

Mr. LAMBERT: I have one last question. It has been suggested in some quarters that under the present set-up the operations of the International Monetary Fund are really, when you get right down to it, an extension of United States foreign policy; or an instrument of U.S. foreign policy, because the American dollar is the basic unit of the International Monetary Fund and because the United States has the predominant role in the World Bank; and that by the creation of this new international unit this criticism will no longer apply directly although it might apply by the United States influence because of its position with other countries who are members of the World Bank, but this direct link will no longer be present.

Mr. HOCKIN: As I think I said earlier to Dr. McLean, I think it is an exaggeration to say United States runs the International Monetary Fund. The organization of the International Monetary Fund is such that you have weighted voting depending upon the agreed subscriptions of countries and their quotas in the International Monetary Fund which are supposed to take into account relative economic strength position in the world. The United States is quite clearly the largest member of the International Monetary Fund and has the biggest block of votes. There has also been expressed in some quarters, as you say, the view that the United States really exercises an influence even greater in proportion than its quota would suggest for a variety of reasons.

I would not want to comment on that because it is a matter of opinion as to whether this is so or not. I think it is fair to say that countries which have as wide responsibilities around the world as have some of the leading countries, and I would include others as well as the United States in this, quite naturally have a knowledge and an interest in the affairs of some countries which smaller countries would not have. They are therefore more informed; they are better organized to express an opinion when that is called for by the business that appears before the board of the International Monetary Fund than some other countries are. We in Canada do not pretend to know as much about some of the smaller countries in some parts of the world as other countries do, but we do try to take a very real and active interest in those countries with which we have close relations and where we feel that we have some knowledge. In these situations I think that we would feel, at least, that we were not overwhelmed by anybody else, that we took a view and expressed it fully and frankly; and in

these situations I do not think we would feel that our view was heard in any way that was less than our position in the world really demanded or permitted.

Of course, all of these things are intangible. I would feel, however, that it is unfair to say that the United States runs the International Monetary Fund for the reasons that I said.

Mr. LAMBERT: I did not allege that.

Mr. HOCKIN: No, you are reporting that this has been said. Well, I agree that it certainly has been said, but I think, as you can tell from my remarks, this point of view is perhaps exaggerated. From the point of view of whether the United States would have less influence with the creation of the new reserve assets than they have now, I think it is rather hard to say because once again the United States is going to be a major contributor to the backing of the International asset and will have a very active role to play in the managing of the asset; and it, after all, is the largest country in the western world, so it will have a very great deal of influence.

Mr. LAMBERT: I have one other comment.

Perhaps the United States influence might not appear to be so overt if the international unit is not the U.S. dollar. This perhaps is a thing that is fixed in the craw of some people.

Mr. HOCKIN: Well, I think it would be perhaps jumping the gun a bit to expect that with the creation of the international reserve asset, the United States dollar would not continue to be the major international currency, because you have to remember that the international asset, at least as it is presently thought of, would be only an asset which would be used between central banks. The trade of the world would still take place in existing currencies, and the major currency which is used by traders in the world, apart from official authorities, is the United States dollar; and that will continue to be the case.

The CHAIRMAN: I have next on my list Mr. Basford and, for the information of the committee, following him I have on my list Mr. Lewis and Mr. Cameron.

Mr. Basford.

Mr. BASFORD: From your statement I was interested in the question about just how close are we to the establishment of an international reserve unit.

Mr. HOCKIN: I wish I could say, Mr. Basford. The discussions which have been taking place amongst the deputies of the group of ten are rather imperceptibly changing into what you might call negotiations. The situation is still very fluid. We talk amongst ourselves about how close we are, and I think the answer to you really would be that we just do not know. As you can see from the presentation that I made, we are trying to contribute what we can to the reaching of an agreement, but we still do not know whether that agreement will, in fact, be reached. There are certain areas of agreement which we are trying to build on, but it is just too early to say whether something concrete will really emerge from it.

Mr. BASFORD: I take it it is the Canadian position that it is desirable that we should be fairly close to the establishment of such a unit.

Mr. HOCKIN: Yes, that is so.

Mr. BASFORD: What is the attitude of France to all this?

Mr. HOCKIN: All I can say is that the reports from the press seem to suggest that they still remain to be convinced that things have to be done now, immediately, to replace or to supplement the existing reserve asset. Whether they will agree to some program which should be instituted at some future date still remains to be seen.

The CHAIRMAN: Do you have any further questions, Mr. Basford?

Mr. BASFORD: Not right now.

The CHAIRMAN: I now recognize Mr. Lewis unless he and his colleague wish to reverse their order.

Mr. LEWIS: This bill has nothing to do with the international unit?

Mr. HOCKIN: Not directly, Mr. Lewis, but as you can see from the presentation we feel that the increase in credit facilities through the International Monetary Fund is one aspect of international liquidity, and the suggested creation of a new reserve asset would be another aspect of it. We feel that one has to keep in mind whole totality of international liquidity in whatever form it is, be it gold, be it U.S. dollars, be it a new reserve asset, or be it conditional credit facilities in the International Monetary Fund.

Mr. LEWIS: I appreciate that. This bill is an increase in our contribution to the existing reserve arrangement under the International Monetary Fund.

Mr. HOCKIN: Right.

Mr. LEWIS: It has nothing to do with any new reserve?

Mr. HOCKIN: That is right.

Mr. LEWIS: I apologize for my ignorance, but I would like to hear a little more in the matter of education. No matter what particular form it takes, exactly how would or would not the new reserve unit be tied to gold, and how would it function aside from existing currencies, particularly the United States.

Mr. HOCKIN: Well, Mr. Lewis, the suggestion that we have made—and this is based on our assessment of what is practical in the world—is that if the asset is going to be accepted internationally by different authorities around the world and used by them, then in our judgment it will have to have a gold value guarantee, as it were. Whatever currencies are put up to back it, the country will undertake to maintain the present gold value of those currencies that are put up. For example, if Canada or another country should put up their currency as part of their contribution to the backing of it, other countries would have a right to say, "Well, if you change the par value of your currency at some time, then the relative backing of your currency for this international asset should not be affected by that." We want to feel that, for example, if you should

devalue that we will get more of currency "x" in order to make sure that we have the same totality of purchasing power there. So it is our view that you have to have a gold value guarantee of those part of each country's contribution to the backing of the unit.

In terms of how it would be used, we would hope that the combination of things which we have suggested—the gold value guarantee, the attractive rate of interest, plus perhaps some limit on what countries have to hold—would mean that people like the asset, that the central banks and the government like the asset sufficiently to be prepared to hold it in their reserves along with gold in the United States dollars. They might vary as to how much of it they were prepared to hold; some might prefer to have one mixture and some might prefer to have another. But that they all would find the asset attractive enough that they would want to hold it.

Mr. LEWIS: You do not think it is possible to contrive an International Monetary Unit that will not put countries and the world into the gold strait-jacket?

Mr. HOCKIN: Mr. Lewis, I think that we have tried to come up with a plan which would permit evolution in a way that would not admit of your description of a strait-jacket, but we have tried to do it in judgment as to what we think is likely to be saleable at this time—and that was the judgment that we used in coming up with the particular package that we came up with. In our judgment, it had to start off with some kind of gold value backing or gold value guarantee. Whether this would change over the years remains to be seen, but we feel that at the moment, at least, to make it an acceptable unit it would have to have that asset.

Mr. LEWIS: There are, are there not, limitations placed on your reserve by having the gold value attached to it?

Mr. HOCKIN: I would not think serious ones, Mr. Lewis, in that even without it you would say if a country devalued and you had this in other international units that were established such as the E.P.U., that people did say if our currency is devalued we will make up the difference in the backing. I think that that would probably be an essential part of any scheme whether it were expressed as a gold value guarantee or in some other form, because people would not feel that they would want to allow their partners through the devaluation to reduce their participation in it.

The CHAIRMAN: Have you any further questions, Mr. Lewis?

Mr. LEWIS: No, I do not think so.

Mr. HOCKIN: Mr. Lawson would like to say something at this point.

The CHAIRMAN: Just one second though. I want to permit Mr. Lawson to continue, but it has just occurred to me from listening to this answer that the committee might be going down a path which is not strictly on its map, if I may put it that way, at the moment. May I suggest to the committee that we may not want to discuss the questions which we have before us at the moment—what

the nature of the new reserve unit should be, whatever it may be. As I said already, I think the general area links with the nature of the bill before us. I want to have Mr. Lawson continue.

Mr. BASFORD: Pardon me, Mr. Chairman, there is a committee full of lawyers, including myself, all of whom are trying to get a free education in economics.

The CHAIRMAN: Mr. Lawson?

Mr. LAWSON: Mr. Chairman, I should like to refer to Mr. Lewis' question about whether we could envisage a system which was freed of the question of the strait-jacket of gold, or words of that character. Mr. Hockin replied, and I thought perhaps I would add a word as a sort of supplement to Mr. Hockin's reply. There are various ways of looking at this. The sense in which perhaps one might say that the International Monetary System was in a strait-jacket in respect of gold is really the sense that we do not see that the amount of gold in the hands of monetary authorities can be expected in the future—and it really has not in recent years—to expand enough to provide liquidity for the system. As Mr. Hockin has said, in recent years the expansion of liquidity and of reserves has taken mainly the form of holdings of foreign exchange of currency, mainly the U.S. dollar. Now, that method of adding to liquidity, as the statement indicated, perhaps is not as likely to be feasible in the future as it has been in the recent past; so that the purpose of a unit can be seen as a way out of the restraint there would be on liquidity imposed by the rate of growth of monetary gold stocks. Therefore it is a way out of the problem, not back into it. As I would look at it, it is a way out of the problem that the world would be in if it restricted the growth of liquidity to the growth of monetary gold stocks. It is a way out of the problem, not back into it.

Mr. LEWIS: You are probably right but this is precisely the reason I asked the question. I did many years ago know a little bit about this question, but I must say I am a little bit rusty now. It seems to me that all you are doing is getting your gold strait-jacket thinned and a little more indirect, but it is still there. You no longer rely on the gold reserves themselves; you rely on another reserve which has a gold backing. But every currency has to have that gold backing.

Mr. LAWSON: No, I think when Mr. Hockin referred to the gold value guarantee, he did not mean the gold backing. The position one would be in here, really, is if he had a machinery for creating an asset of the character that Mr. Hockin has been talking about, he would really have machinery that could create an asset which had many of the characteristics in the international system that gold has, but an asset that could be created in quantities in accordance with the judgment of the creating countries, and not limited by the existing physical stock of gold. Therefore you would really be in the position of creating an asset that played very much the role of gold, but, at will, in the sense that you would not be limited by any physical restraint. You would be limited only by your judgment of what was appropriate under the circumstances.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): To follow along the same line, Mr. Chairman, is it the hope of the Canadian authorities that the new unit will eventually establish confidence in itself in precisely the same way that the managed currencies in the domestic economy have established confidence in themselves quite regardless of any connection with gold? Would it be right to suggest that the hope is that this new unit will eventually bear somewhat the same relationship to world productivity that the domestic currencies do to the productivity of the country concerned?

Mr. LEWIS: That the domestic currencies hope they do.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes, but we are continually leaping around on that.

Mr. HOCKIN: Well, Mr. Cameron, it is certainly true we hope that the particular kind of unit which we have described in our presentation would, in fact, gradually win confidence to the place—

The CHAIRMAN: Excuse me, are the members of the committee able to hear?

Mr. MONTEITH: Yes, I was just a little concerned about our procedure, Mr. Chairman. I hope you do not mind me interrupting for a moment, but both Mr. Lambert and myself have another meeting at 11 o'clock and we do not seem to have made this part of our meeting thus far official. I was just wondering if you had any ideas on that.

The CHAIRMAN: Yes, it is my feeling when we do have unofficial meetings for the taking of evidence without the necessity of complete representation of all parties that there should be some reasonable representation between government supporters and Opposition; I think that if the situation is going to arise where your group is not to be represented at all here, it would be reasonable to adjourn. You must leave at 11 o'clock.

Mr. MONTEITH: I have to get back.

Mr. LAMBERT: There are other people who also have other things to do. It is unfortunate but the scheduling has been atrocious this morning by others intruding into this meeting. I know that the number of members who are not in committee are caught in other places. Now, I would suggest, Mr. Chairman, that we can regularize all of this evidence at the next meeting that we have with a quorum by a motion merely to incorporate this as part of the record; that is a mere formality.

The CHAIRMAN: That was the procedure I intend following. I might say in passing that with the new system under the new rules I think it will be necessary for us to evolve procedures which did not exist under the old system which will permit the expeditious carrying on of our work in a way that is fair to all the people who have so many different demands on their time. Your suggestion is one we have followed when we have used this procedure in the past and it will definitely be followed on this occasion. Inasmuch as you feel that you do have another commitment at this time which will remove the representation of your group, I would suggest that rather than continue your

answer at this time we will suspend this unofficial session with the next meeting to be at the call of the Chair. Before we do adjourn this session, I would like to ask the groups represented here to give me the names of those they are going to recommend for the steering committee so that it will be possible to call it together on short notice. I do not ask for the names right at this moment. I just mention this while you are present so that you can pass the names on to myself. I now declare this unofficial session—

Mr. LEWIS: I do not think it is a very good idea to call our meetings at 9.30 because I am sure if you do you are going to spend the first half hour waiting for people.

The CHAIRMAN: Yes, I think you are right.

Mr. LEWIS: Everyone wants to spend at least half an hour in his office, if to do nothing else but look at the mail.

The CHAIRMAN: I think your point is well taken and it may be that, because of the number of committee meetings, we will have to try to do what we can to organize our personal schedules; but it is my intention, I must say, to call our committee meetings at ten o'clock unless circumstances demand otherwise and I have already discussed this point with our good clerk. I now declare this unofficial session suspended.

THURSDAY, April 28, 1966.

(Recorded and Transcribed by Electronic Apparatus.)

The CHAIRMAN: I see a quorum. I will now call this meeting to order as a formal meeting. I think our first item of business is to ask for a motion that the Minutes of Proceedings and Evidence of the meeting of March 31, 1966, be incorporated as part of the Committee's official records and that the two tables relating to the International Monetary Fund provided by the Parliamentary Secretary to the Minister of Finance be included as appendices to this day's Minutes of Proceedings and Evidence.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I so move.

Mr. LEBOE: I second the motion.

The CHAIRMAN: It is moved by Mr. Cameron and seconded by Mr. Leboe. Is the motion carried?

Motion agreed to.

The CHAIRMAN: I would also like to announce that the following have been appointed to act along with the Chairman and Vice Chairman on the steering committee: Messrs. Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Grégoire, Lambert, Leboe and Monteith. I will be in touch with you in due course as to getting together at some early date to discuss our further proceedings.

I would like to call Clause I.

On clause I.

We have with us again the same witnesses we were privileged to have with us when we last met, Messrs. Lawson and Hockin. And also we have with us Mr. Hudon, the Canadian Director in the International Bank. What is the official title? The International Bank for Reconstruction and Redevelopment, commonly known as the World Bank.

Perhaps it would assist both the witnesses and the members of the Committee if we read out the last question and the last answer.

I believe the last question was asked by Mr. Cameron. Perhaps, since I have it here, I will take the liberty of reading it out. It reads as follows:

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): To follow along the same line, Mr. Chairman, is it the hope of the Canadian authorities that the new unit will eventually establish confidence in itself in precisely the same way that the managed currencies in the domestic economy have established confidence in themselves quite regardless of any connection with gold. Would it be right to suggest that the hope is that this new unit will eventually bear somewhat the same relationship to world productivity that the domestic currencies do to the productivity of the country concerned.

Mr. LEWIS: That the domestic currencies hope they do.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes, but we are continually leaping around on that.

Mr. HOCKIN: Well, Mr. Cameron, it is certainly true we hope that the particular kind of unit which we have described in our presentation would, in fact, gradually win confidence to the place.

Then there follows some discussion amongst some members on procedure and we adjourned. Perhaps this is of some assistance in resuming.

Mr. LEWIS: Now Mr. Hockin, can finish his sentence.

Mr. HOCKIN (*Assistant Deputy Minister of Finance*): Mr. Chairman, it is our hope that the kind of unit that we have described would gradually win the confidence of the authorities who hold reserves, to the place where it would actually be accepted and used as an appropriate reserve unit. If that hope is borne out and the unit does achieve that place, then it, along with other forms of reserve assets, would be looked upon together as forming the amount of liquidity in the system. And just as the Central Bank—and here I am transgressing on Mr. Lawson's proper prerogative—just as the Central Bank tries to keep the degree of liquidity in the system appropriate to the amount of economic activity in the country, so it would be expected that gradually the international machinery would have regard for the appropriate degree of liquidity for the amount of economic activity in the world at large; and especially having regard, particularly, perhaps, to the amount of trade that had to be carried on; and that the amount of liquidity would in some more precise, more positive deliberate sense be attuned to the requirements of the situation than now takes place. But I should say that this is, I think, a gradual process; it will not happen over night.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would you say, Mr. Hockin, that if the hope is realized it will have some bearing on the serious position with regard to exchange of the developing countries? It might help to narrow the gap?

Mr. HOCKIN: Let me turn it around, Mr. Cameron. I think if we do not do something along these lines there is the danger that countries would be more restrictive in their own domestic policies and with respect to international trade of one kind and another or capital movements of one kind and another, and that in that kind of restrictive world everyone would suffer including the less developed countries.

The CHAIRMAN: Any further questions, Mr. Cameron? Before we proceed with Mr. Lambert I would like to ask the members of the committee to be sure they speak into the microphones before them. These proceedings are being recorded by tape rather than by a shorthand reporter, and it will make it much easier for accurate transcription of our proceedings if this would be done.

I would now like to call on Mr. Lambert. Would there be other people who would like to ask questions?

Mr. LEBOE: On a point of order, the contents of what we are dealing with here will also have to come up, will it not, in relation to the Bank Act later on in the year? Not as it relates to this particular act. From the conversation I have listened to we are far afield from the act itself right now.

The CHAIRMAN: In a sense, yes.

Mr. LEBOE: In a sense it would facilitate the despatch of business here if we recognized that when the Bank Act is under review—the whole banking system being related to this—much more probing discussions would be carried on that time.

The CHAIRMAN: Yes; there is a lot in what you say. I might explain that I made clear when we began our consideration of this bill that I felt it would be in order to have a fairly wide-ranging discussion in order to situate the contents of this bill in the proper ambit of the monetary situation. I suppose an argument could be made that the questions should be related very strictly to the specific wording of the clauses and so on, but I think the Committee felt, and I felt, subject to some further decision of the Committee, that it would be helpful to permit us to come to a decision on it if we were able to situate this bill, which is not very detailed in its terminology, in the general ambit of the monetary situation.

Mr. HOCKIN: Mr. Chairman, if I might say a word here, the subject matter that we just have been talking about this morning, that was held over from the last meeting, I think is more appropriately in the international side than in the domestic side. If anything really develops here in terms of agreement between countries, then quite clearly there would have to be some legislative action in Canada, either a further amendment to the same bill that you have under discussion this morning or completely new legislation. So there would be specific legislation dealing with that aspect of it. We would not think that it either could or should be part of the Bank Act legislation itself; and that is why, from our point of view, we have found it useful to be able to reveal to the committee some of the thinking that we have in the international side in relation to this bill. But of course it is up to the committee to decide how they want to handle it.

Mr. LEBOE: I think Mr. Lambert objects to it. What I was trying to do to find out, or assess, whether or not it was going to be discussed. It has to be discussed in great detail when the Bank Act is up because of the relationship between domestic finance and international finance. And, therefore perhaps, it might curtail considerable discussion here, if we understand that when the Bank Act was up for review that all of these contiguous or related matters would have to come under discussion in order to establish our position in our domestic banking system.

The CHAIRMAN: Well, I think that the members of the committee have further questions which they have noted and they will take into account your suggestion. It is now Mr. Lambert's turn.

Mr. LAMBERT: Following Mr. Cameron's question, have there been any developments in the last four weeks since we last met with regard the establishment of a new unit of international liquidity?

Mr. HOCKIN: Mr. Chairman, we have had further meetings of the international group that has been discussing this. They were in Washington last week. The general discussion which went on there was designed to come towards the drafting of a report. The drafting did not take place at that meeting and you may have seen from the press reports that we hope to get further in the drafting at the next meeting of the committee.

I might say, Mr. Chairman, if the Committee would be interested, that the United States Embassy have very kindly made available to us a transcript of the press briefing which was given by the chairman of the Group of Ten deputies at the end of the meetings in Washington; and if you would like, we could make that transcript available to you, or if the Committee would want to arrange to get another copy, I am sure that this could be arranged.

Mr. LAMBERT: Yes; I was going to say this would be very nice if we could make a motion that they be made an appendix to this report.

I am going to switch to another one single question. In the light of the recent—when I say recent, in the last two years—difficulties experienced by some of the developing nations as a result of certain expenditures they carried out, and certain activities in which they engaged, and who were debtor countries to the World Bank, and who have now got new regimes, what effect is this having on the credit policy of the World Bank with regard to developing countries—and this is related to, I think, Mr. Lewis's question as to perhaps the gap between developing and developed countries, and your answer about "Well we have got to establish some form of international liquidity and get away from this economic nationalism which was inherent in the opposite"?

Mr. HOCKIN: Might I ask Mr. Hudon to make some comments on that question?

The CHAIRMAN: Mr. Hudon, would you like to advance to one of the microphones so that it can be transcribed more easily.

Mr. HUDON (*Canadian Director, The International Bank for Reconstruction and Redevelopment*): Thank you, Mr. Chairman. I think that in the case of the World Bank its loans are really directed towards the financing of the long-term development of developing countries. In most cases these loans are made to finance projects such as the building of roads or power dams and similar things. Before the bank does make a loan it carries out an intensive investigation of the project which has been proposed to be financed; and, secondly, it does review the economic situation of the country to establish its creditworthiness, that is to say, its ability to pay the loan. When there is a change in the political regime of a country the bank applies exactly the same policies. In other words, it will look at the project objectively and will look at the economic policies of the regime to determine whether or not in the light of these policies it is reasonable to expect the country to be able to repay the loan.

Mr. LAMBERT: Well, to follow up to that; we have heard of so many allegations in the past couple of years, that as a result of a change in the regime it had been found that the previous regime had been very wasteful, there had been all sorts of, shall we say, illegitimate use of the funds. How does this tie in with, shall we say, the World Bank's investments being on a longer term basis and the call for more money to finance long term loans.

Mr. Hudon: Mr. Chairman, if I confine myself specifically to the operations of the World Bank I would say that the World Bank does keep fairly close supervision over the projects which it is financing during the course of construction and even after. To my knowledge I am not aware that any of the loans made by the World Bank have suffered or that the resources have been wasted as a result of a political regime.

On the broader question whether there is some waste of resources in developing countries, I would assume there is.

Mr. McLEAN (*Charlotte*): After our last meeting I noticed that the *Montreal Star* and the *Financial Post* came out and said that the Bank of Canada was all for backing gold. I did not get that impression from our last meeting.

Mr. Hudon: Neither did I. I think you are right. I think the reporting was not accurate.

Mr. McLean (*Charlotte*): The reports were not accurate.

Mr. LEWIS: The Bank of Canada is a little more subtle about its reports.

Mr. McLEAN (*Charlotte*): I have some international reports in front of me. To my mind this whole thing is to get the United States out of trouble, as far as I can see. There is \$400 million in gold going into the international banking system; a billion going into hoarding. Now if that billion that is going into hoarding went into the International Banking system would there be this liquidity? Would it take care of the liquidity that we need. Now the international trade I think in the last 9 or 10 years has probably gone from about \$55 billion to \$150 billion. Is that right? Something like that?

Mr. HOCKIN: I could not vouch for the figures, Dr. McLean. It has certainly increased tremendously.

Mr. McLEAN (*Charlotte*): But now we have in the international reports widespread expectations that the war in Viet Nam will come to an early end but we will probably be disappointed. Combat outlays will be stepped up before they start to come down. Has that not something to do with international liquidity. The United States is trying to get rid of their balance of payments and this international report says "In several industrial countries, including the United States, liquidity pressures will become more serious for financial institutions with long-term investments and potentially large term short term investments. Spreading monetary protectionism will undermine the effectiveness of GATT and other international agreements to prevent the use of export subsidies and other special government aid in support of competitive positions of industrial countries".

It seems to me that all this is trying to pull United States out of the fire. I do not know, but to my mind the United States is in control of the International Monetary Fund at the present time and the big ten with the exception of France, is backing the United States. I cannot see why the gold is not brought into the liquidity instead of letting it drift all the time. My contention is that the United States dollar should be divorced from gold. It should not have anything to do with it, let it find its own level. The United States dollar should become the world unit of settlement, and then we would have no trouble.

I have had some correspondence with Mr. Connor, the secretary down there, and he does not answer my question, he just tells me what the United States intends to do.

I see that we are going to have a series of silver coins. Probably the silver in the coins will cost more than the coins themselves so you have a good coin there. But why do we not mint our gold? That is what I would like to know. When the United States \$20 gold piece sells in Europe for \$45, why do we not mint our gold? This is all mixed up in international liquidity and this is why we are coming here and want more money in the International Monetary Fund, because you cannot meet the settlements.

If the United States withdraws \$3 billion from international trade it will certainly have an affect. We get these guidelines, it is going to affect GATT. It goes all down the line. The simple solution is to make the United States dollar the unit of settlement throughout the world as far as I can see.

Mr. HOCKIN: Dr. McLean, I do not know quite how to begin in answering you on this.

The CHAIRMAN: Well, Mr. Hockin, first I might say something in way of assistance to the Committee. I feel that the discussion of the content in minting of coins within Canada might be more properly put over to a time we discuss the Bank Act and the Bank of Canada.

Mr. McLEAN (*Charlotte*): The monetary system is all tied in.

The CHAIRMAN: Well, we have to draw the line some place if we are ever going to finish our discussion. Secondly, you will have to exercise your own discretion as an official with respect to comment on the policy of the United States.

Mr. LEBOE: I might just interject here that the reason I made the statement that I did make was that I could foresee this Committee lasting all summer.

The CHAIRMAN: It may last all summer anyway but perhaps it will not be because of this bill.

Mr. HOCKIN: Perhaps it would be appropriate for me to make two comments, Mr. Chairman. One of them is that both the bill before you, which would have the effect of increasing the quotas of the International Monetary Fund and the general discussion we have had about the discussions for improving the International Monetary system and providing for a broader base of liquidity in the system are both specifically not designed to take care of individual balance of payments problems. The objective in both is to have regard for the over-all requirement, the so-called global needs of the system. In the process, of course it would be expected that the way in which countries would react to their own individual balance of payments positions would be improved as a result of improvements in the system, but that specifically the objective is not to look after any particular country's balance of payments problem.

● (12:00 p.m.)

Secondly, the objective of the discussion that we have been having—not in this bill, but of the broader question of international liquidity—has been designed to take into account all types of liquidity available to the system: gold; the so-called reserve currencies, conditional liquidity such as the drawing rights in the fund, and any new reserve asset which may be created.

Now, in so doing, one has to form a judgment as to the role either of which you expect a particular part of that reserve system to play or what you think it should play. We, of course, have had a judgment as to the role which gold may play, and I think that has come out in our earlier evidence to you. I do not think I should, perhaps, go back over the ground, but once again I would repeat that the objective is to take into account all of the parts and the likely developments in them.

You may have some different views on whether all of those forecasts should be allowed to come true, whether there should be some changes made. What we have been trying to do is to forecast on the basis of what we think is likely to take place as a result of the actions of other countries. As you suggested, Mr. Chairman, I do not think it is appropriate for me to comment on the policy of the United States with respect to gold.

Mr. McLEAN (*Charlotte*): If it affects us, I think we should all comment. It says now that we are going to pay so much into the International Monetary Fund. Are we going to pay 25 per cent in gold?

Mr. HOCKIN: Yes, Mr. Chairman.

Mr. McLEAN (*Charlotte*): So we are still depending a bit on gold.

Mr. HOCKIN: Oh, yes. Gold is still there as part of the backing of the system.

Mr. McLEAN (*Charlotte*): But if the price of gold were doubled, then we would have double the backing?

Mr. HOCKIN: Well, that is perhaps a little oversimplified.

Mr. McLEAN (*Charlotte*): You stated previously, I think, that 25 per cent was a little out of date; I said it was orthodox banking. I see it is orthodox banking here.

Mr. HOCKIN: It is in the articles of agreement.

The CHAIRMAN: Do we have further questions?

Mr. MONTEITH: A very simple one, Mr. Chairman. By the way, sir, I am sorry I missed the first meeting of the Committee on this Bill. My question has to do with the purpose of the bill. The International Bank for Reconstruction, through the International Monetary Fund, has been loaning to underdeveloped—developing countries is the polite term, I understand—certain amounts. Now, this increase, as I took it to mean, was simply to provide more funds as a lot of those funds have already been used and are out on loan. They are probably being repaid gradually, and so on, but the demand for loans is grave, and as a consequence the fund needs to be somewhat larger. Am I right or wrong?

Mr. HOCKIN: Mr. Chairman, this bill deals both with the International Monetary Fund and the International Bank. I think it is fair to say that in most cases it was felt that the resources available to the two institutions needed to be increased. Mr. Hudon may wish to say something more specific about the International Bank.

Mr. HUDON: I think, Mr. Chairman, that in the case of the International Bank, the proposed increase in Canada's subscription is not related to a general increase in the capital of the bank. The bank has a capital of approximately \$21 billion and this is adequate for its present purposes and the demands being made upon it.

The only countries which are increasing their subscription to the bank are those which are getting special increases in the fund. The reason for this relationship is that it is a relationship between the fund and the bank which has been established from the very outset and it is, in fact, incorporated in the articles of the agreement that membership in the fund is a prior condition to membership in the bank. That is one reason for this relationship.

The second is that the subscriptions to the bank are derived from quotas in the fund.

Mr. LEWIS: Most of the sort of contribution to the bank is in the form of a guarantee, and if you got enough out to meet this situation, it would mean our liability is contingent rather than actual.

Mr. HUDON: That is right, sir; only 10 per cent will be paid in.

Mr. HOCKIN: Mr. Chairman, perhaps I might amplify a little bit what I said about the fund. The fund increase consists of two parts: It consists of the special quota increase which Mr. Hudon referred to, and which becomes applicable in the International Bank. It is called upon every now and then, because the position of countries in the world system changes—the relative position—and some countries which have been growing more rapidly, such as Canada, were considered to have, as it were, a greater role to play in the terms of giving backing to the International Monetary Fund. Also, I might add, they get a proportionately greater call on the resources of the International Monetary Fund if they should be in difficulty. But over and above that, it was agreed that there should be a 25 per cent increase in the resources of the International Monetary Fund just to keep the fund in a better position to meet the increasing demands on it as a result of the growth of the international community.

Mr. McLEAN (*Charlotte*): Could I ask you if any of the Communist countries are members of the International Monetary Fund?

Mr. HOCKIN: Yugoslavia is a member. The words "Communist country" change from time to time.

Mr. McLEAN (*Charlotte*): You might say semi-communist, or behind the iron curtain. I see they were given quotas when it was established, and Russia was given \$1,200 million, but they did not, in fact, join.

Mr. HOCKIN: That is right. Czechoslovakia joined before they became Communist, and they failed to meet all of the requirements of the two organizations, and are no longer members.

Mr. LEWIS: Viet Nam is the best place now.

Mr. HOCKIN: South Viet Nam.

The CHAIRMAN: I think it would be appropriate at this point to ask if there are any general questions on what I might call the subject matter of Clause 2.

Mr. McLEAN (*Charlotte*): You have not had this yet?

The CHAIRMAN: The subject matter. I think it would be appropriate to have any general questions now, so that we shall be able to proceed expeditiously.

Mr. LAMBERT: What is the real purpose of getting the report on a calendar year basis rather than on a fiscal year basis? Are there any particular difficulties created now, or what is the actual reason for this?

Mr. HOCKIN: Mr. Lambert, the draft report which is drawn up is much more easily prepared in connection with the information which is available from the two institutions on a calendar year basis than on a fiscal year basis. We really have to ask the two organizations, as it were, to do a whole new round of their books to be able to give us the information necessary to make the report to Parliament under the present act, and it would be convenient to them if we did not have to ask for this special information.

Mr. LAMBERT: In other words, it is to eliminate the awkwardness of March 31 in every year.

Mr. HOCKIN: That is right. And the only other change there is to spell out a little more the kind of report that we would be making. In fact, it is not very different from what has been made. But it makes it a little more specific, in its description.

Mr. LAMBERT: As a follow-up, does the fact that the annual report of the World Bank is dated December 31, and then translated into our domestic financial year, cause problems within the Department of Finance?

Mr. HUDON: Mr. Lambert, I might add to what Mr. Hockin has said. These institutions prepare quarterly statistics. Under the existing legislation the statistics had to be on March 31, and the report had to be submitted by the end of April. This was from the institutional point of view, a very difficult thing to accomplish, to get these statistics in that 30-day period; write it up, have it translated and tabled within thirty days.

The CHAIRMAN: Gentlemen, we are in a position now to proceed officially. Shall Clause 1 carry?

Clauses 1 and 2 agreed to.

Title agreed to.

The Chairman: Shall I report the Bill without amendment?

Agreed.

I think that many members will be interested in having the text of the press briefing, as part of the minutes of our proceedings.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I so move.

Mr. CLERMONT: I second the motion.

Motion agreed to.

The CHAIRMAN: I believe Mr. Hockin suggested that it might be useful as well to have a table—what was the table?

Mr. HOCKIN: On the increase in subscriptions to the International Bank. You will note that the table shows only the International Monetary Fund.

The CHAIRMAN: This is not part of our proceedings, and you can provide it?

Mr. HOCKIN: We can provide that.

The CHAIRMAN: May I have a motion to that effect?

Mr. CLERMONT: I so move.

Mr. LEBOE: I second the motion.

Motion agreed to.

Mr. LEWIS: It will be made part of the proceedings?

The CHAIRMAN: Yes. We have finished our agenda for today. I therefore adjourn this meeting. The Committee will convene again at the call of the Chair.

APPENDIX A

Financial Implications of Canada's Increased Contributions
to the IMF and the IBRD

	Canada's quota or subscription	Payment in gold or US\$	Payment in Canadian currency or non-interest- bearing notes (millions of US dollars)	Guarantee
IMF				
Present Quota	\$ 550.00	137.50	412.50	
Proposed Increase ..	190.00	47.50	142.50	
IBRD				
Present Subscription.	750.00	7.50	67.50	675.00
Proposed Increase ..	42.00	.42	3.78	37.80
	<hr/>	<hr/>	<hr/>	<hr/>
	1532.00	192.92	626.28	712.80

APPENDIX B

International Monetary Fund—Increases in Quotas
(Millions of U.S. dollars)

Member	Quota in effect on Feb. 26, 1965 ⁽¹⁾	Quota in effect following 25% increase ⁽²⁾	Quota in effect following special increase
Afghanistan*	22.5	29	
Algeria	60.0	75	
Argentina	280.0	350	
Australia*	400.0	500	
Austria *	75.0		175
Belgium	337.5	422	
Bolivia*	22.5	29	
Brazil*	280.0	350	
Burma	30.0	38	
Burundi*	11.25	15	
Cameroon	15.0	19	
Canada	550.0		740
Central African Rep.	7.5	10	
Ceylon* ⁽³⁾	62.0	78	
Chad	7.5	10	
Chile	100.0	125	
China	550.0	690	
Colombia*	100.0	125	
Congo (Brazzaville)	7.5	10	
Congo (Dom. Rep. of)*	45.0	57	
Costa Rica	20.0	25	
Cyprus	11.25	15	
Dahomey	7.5	10	
Denmark*	130.0	163	
Dominican Republic	25.0	32	
Ecuador*	20.0	25	
El Salvador*	20.0	25	
Ethiopia*	15.0	19	
Finland*	57.0		125
France	787.5	985	
Gabon	7.5	10	
Germany (Fed. Rep.)	787.5		1,200
Ghana	55.0	69	
Greece	60.0		100
Guatemala* ⁽³⁾	20.0	25	
Guinea*	15.0	19	
Haiti*	11.25	15	
Honduras*	15.0	19	
Iceland*	11.25	15	
India*	600.0	750	
Iran*	70.0		125

Member	Quota in effect on Feb. 26, 1965 ⁽¹⁾	Quota in effect following 25% increase ⁽²⁾	Quota in effect following special increase
Iraq* ⁽³⁾	64.0	80	
Ireland*	45.0		80
Israel*	50.0		90
Italy*	500.0	625	
Ivory Coast*	15.0	19	
Jamaica* ⁽³⁾	24.0	30	
Japan*	500.0		725
Jordan* ⁽³⁾	12.25	16	
Kenya*	25.0	32	
Korea*	18.75	24	
Kuwait	50.0	63	
Laos*	7.5	10	
Lebanon	6.75	9	
Liberia* ⁽³⁾	16.0	20	
Libya*	15.0	19	
Luxembourg	15.0	19	
Malagasy Rep.	15.0	19	
Malaysia* ⁽³⁾	100.0	125	
Mali*	13.0	17	
Mauritania	7.5	10	
Mexico*	180.0		270
Morocco ⁽³⁾	72.0	90	
Nepal*	7.5	10	
Netherlands	412.5	520	
New Zealand*	125.0	157	
Nicaragua* ⁽³⁾	15.0	19	
Niger	7.5	10	
Nigeria	50.0	63	
Norway	100.0		150
Pakistan	150.0	188	
Panama	11.25	15	
Paraguay*	11.25	15	
Peru	37.5	47	
Philippines	75.0		110
Portugal	60.0	75	
Rwanda*	11.25	15	
Saudi Arabia* ⁽³⁾	72.00	90	
Senegal ⁽⁴⁾	25.00	32	
Sierra Leone*	11.25	15	
Somalia*	11.25	15	
South Africa*	150.0		200
Spain*	150.0		250
Sudan* ⁽³⁾	45.0	57	
Sweden*	150.0		225
Syrian Arab Rep.* ⁽³⁾	30.0	38	
Tanzania*	25.0	32	

Member	Quota in effect on Feb. 26, 1965 ⁽¹⁾	Quota in effect following 25% increase ⁽²⁾	Quota in effect following special increase
Thailand* ⁽³⁾	76.0	95	
Togo	11.25	15	
Trinidad and Tobago*	20.0	25	
Tunisia ⁽³⁾	28.0	35	
Turkey	86.0	108	
Uganda*	25.0	32	
United Arab Rep.	120.0	150	
United Kingdom*	1,950.0	2,440	
United States*	4,125.0	5,160	
Upper Volta ⁽⁴⁾	7.5	10	
Uruguay	30.0	38	
Venezuela*	150.0		250
Vietnam*	22.5	29	
Yugoslavia*	120.0	150	

*These countries, representing 67.82 per cent of total Fund quotas, had notified the Fund of their consent to increases in quotas as at February 23, 1966, and their new quotas had consequently come into effect.

(1) Subject to subsequent changes noted under (3).

(2) Rounded to nearest full million.

(3) The base figures used for these countries represent quotas proposed or agreed to on February 26, 1965 rather than quotas actually in effect on that date.

(4) Senegal and Upper Volta had advised the Fund by February 17, 1966 that they would not consent.

APPENDIX C

International Bank for Reconstruction and Development
Increase in Subscription

(Millions of U.S. Dollars)

<i>Member</i>	<i>Present Subscription</i>	<i>Special Increase</i>	<i>Proposed New Total Subscription</i>
Austria	100.0	86.7	186.7
Canada	750.0	42.0	792.0
Finland	76.0	57.3	133.3
Germany	1,050.0	230.0	1,280.0
Greece	50.0	16.7	66.7
Iran	90.0	38.6	128.6
Ireland	60.0	25.3	85.3
Israel	66.6	29.3	95.9
Japan	666.0	106.6	772.6
Mexico	173.3	34.7	208.0
Norway	133.3	26.7	160.0
Philippines	100.0	17.3	117.3
South Africa	200.0	13.3	213.3
Spain	200.0	66.7	266.7
Sweden	200.0	40.0	240.0
Venezuela	140.0	46.7	186.7

APPENDIX D

PRESS BRIEFING

Participants: Honorable Frederick L. Deming, Under Secretary of the Treasury for Monetary Affairs, accompanied by James F. King, Assistant to the Secretary of the Treasury (Public Affairs); Dr. Otmar Emminger, Chairman of the Deputies, Group of Ten; and Alan B. Hockin, Vice Chairman of the Deputies, Group of Ten; and

MEMBERS OF THE PRESS

4121 Main Treasury Building
15th and Pennsylvania Avenue, N.W.,
Washington, D.C.,

Friday, April 22, 1966—2:28 p.m.

Mr. KING: I want to say this reminds me a little of an American political dinner. I am going to introduce someone who will then introduce the man who is going to hold the press conference.

This is an on-the-record news conference. I am James King, by the way. I took Dixon Donnelley's job. Some of you gentlemen know that.

The conference is on the record. It is embargoed until Sunday, the Sunday newspapers.

The news conference will be conducted by Dr. Otmar Emminger of the German Central Bank who is the Chairman of the Deputies of the Group of Ten. As you know, they have been meeting here since April 19.

Dr. Emminger is accompanied by Mr. Alan B. Hockin, Assistant Deputy Minister of the Canadian Department of Finance who is the Vice Chairman of the Group of Ten Deputies.

Mr. Deming, whom I am sure all of you know, Under Secretary of the Treasury for Monetary Affairs, and who is the United States Member of the Group of Ten, will give you some background on this and introduce Dr. Emminger and Mr. Hockin, and as I understand it, Dr. Emminger, and the agreement is that he will answer—he will have a statement and then he will answer questions.

I would suggest that you direct your questions to him and let him and let him pass them off however he wishes. At least at first that is the best way to handle it.

Mr. DEMING: Gentlemen, before Dr. Emminger opens this news conference, I thought it might be useful to say a word or two about the Group of Ten which I expect you already know, but it might be useful to refresh you.

The Group of Ten Countries are Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, the United Kingdom and the United States.

The meetings of the Deputies of the Group of Ten are attended by representatives of the Swiss National Bank, International Monetary Fund, OECD, and the Bank for International Settlements as observers. The consultative body that is now known as the Group of Ten arose out of the general arrangements to borrow which these ten industrial nations undertook in 1961 which was effective from the fall of 1962 through the fall of 1966 which was to lend up to \$6 billion to the International Monetary Fund for use in meeting severe strains on the International Monetary System.

Last fall the Group of Ten Countries agreed to continue these arrangements for a further four years. The principals of the Group of Ten are the Finance Ministers and the Governors of the Central Banks of the Ten Countries. They meet from time to time, but the negotiations among the Ten Countries are carried out for the most part by the Deputies to the Ministers and Governors.

Mr. King mentioned that I was the United States representative on the Deputies. Governor Daane of the Federal Reserve System is the other United States representative in the Deputies.

In October 1963 the Ministers instructed their deputies to begin a thorough review of the functioning of the International Monetary System and of its probable future needs for liquidity, and this report resulted in the publication of a report from the Deputies to the Ministers and a statement by the Ministers of August 1, 1964.

Following a suggestion last summer by the Secretary of Treasury of the United States, Secretary Fowler, that steps be taken to prepare the way for an international conference to consider what might be done jointly to secure substantial improvements in international monetary arrangements, the Ministers and the Governors gave new instructions to their Deputies last September.

Now, this news conference has been called so that we may report to you what can be said at this time as to the progress that has been made in carrying out the assignment given last September.

As Mr. King has mentioned, the spokesman here is Dr. Otmar Emminger who is a very distinguished German central banker, Director of the Deutsche Bundesbank and equally a very distinguished economist in his own right.

He is the Chairman of the Deputies of the Group of Ten and he is accompanied by another distinguished member of the Deputies, the Vice Chairman, Mr. Alan Hockin of the Canadian Finance Ministry.

I think in the interests of orderly procedure, Mr. King has suggested that you direct all questions to Dr. Emminger who will have a statement to begin with and then will be at your disposal for questions.

Dr. EMMINGER: Gentlemen, as Mr. Deming said, I want to make a brief statement on the nature of our work. Maybe you will allow me before I do that just to say one word on another aspect of the Group of Ten, mainly, the general arrangements to borrow which Mr. Deming mentioned.

As a matter of fact, the Group of Ten is really an offspring of the International Monetary Fund but I would say a very sturdy offspring insofar as

it is already now supplying a great deal of financial resources to the parent institution, and during the last year and a half, this Group of Ten in the form of the general arrangements to borrow have provided no less than \$930 million to the International Monetary Fund in order to back up the Fund support operations for the United Kingdom.

So this is one aspect of the Group of Ten.

Now, today I think we are entirely concerned with another aspect, namely, the task which Mr. Deming mentioned which had been entrusted to us by the Ministers and Central Bank Governors of the Group of Ten last September, namely, to seek improvement in the International Monetary System and in particular improvements relating to the provision of international currency reserves as and when needed.

Now, this means that the improvements of the reserve system—sometimes it is called a question of international liquidity but I would rather prefer to have it called by its proper name, namely, improvements of the reserve system—the provision of the international currency reserves, that this is not the only job we have on our hands. We were also instructed by our bosses, the Ministers and Central Bank Governors, to look for any other improvements that may be needed. So this we have also done, and I may just mention as examples as possible improvements of the system agreed rules or guidelines for better national policies in the case of balance of payments difficulties.

Or another possible improvement, support arrangements in order to ward off the risks connected with the present reserve system as to the instability of the system, and so on.

Now, our main problem, certainly the main task on our hands is to seek ways and means to improve our reserve system, and I may perhaps say just a few words on the essence of this problem, why really the Ministers and Central Bank Governors have thought it is necessary or advisable to look for such improvements.

You know that up to now the reserves, currency reserves, official reserves of the countries in the world, at least in the Western world, have been made up mainly out of gold and dollars. Now, these two traditional sources of reserves may in the future dry up. This is particularly true of the dollar element in the international reserves as and when the American balance of payments really swings back into equilibrium because then the provision of reserves for the rest of the world through the United States balance of payments will come entirely to an end.

Now, already some time ago the Group of Ten, the Deputies of the Group of Ten, in their previous report have come to the conclusion that in such a case, gold alone would not be sufficient to provide in the longer run the necessary reserves for the world.

I may just tell you a figure or some figures on that in order to quantify this statement. Reserves have grown over the last five to seven years by annually a little more than \$2 billion I mean, international currency reserves, while the

contribution of gold to this increase in reserves have been of an order of \$600 million to \$700 million per year. So, about one third. And last year it was \$255 million.

So this is not an amount which in the long run may be sufficient to satisfy the reserve requirements of the world.

I said deliberately in the long run because—and this is quite important, and I think one has to dispel here some misunderstandings—the exercise which we are undertaking is a long-run exercise. One cannot assume that from one year to another there will suddenly be an insufficiency of reserves which may—which will make itself felt on the whole world economy in a very detrimental way, but it may be that over the long run an insufficiency of reserves will have disadvantage effects and will produce unsatisfactory national policies.

So this is a long-haul problem, not a short-run problem.

And the second conclusion, so to speak, of what I said to you about the essence of our problem is the following. The urgency of this whole problem of finding the right way, right kind of reserves for the world, the urgency depends very much on the development of the United States balance of payments, because as long as the United States balance of payments is still in sizeable disequilibrium, there will be enough reserves for the rest of the world. So the urgency is really to some extent a function of the development of the United States balance of payments.

I think it is very important to keep that in mind because it means that this question of urgency or not, which is one of the major problems which we have really to deal with just now in our Committee, is to some extent influenced by the behavior of the United States balance of payments.

And I want also to perhaps dispel another misunderstanding, namely, that our job, the job which we have been entrusted with, has something to do, has anything to do with bringing a solution to the American balance of payments problem. It is just the other way around. It is this equilibrium means American balance of payments that will provide the basis and sort of the precondition for going along in the provision of reserves in a new way.

Finally I want to make a few remarks as to the procedure in which our work has been done up to now. It was already mentioned that we have an instruction by the Ministers concerned and this instruction runs to the effect that we have to find out what basis of agreement exists on essential points for the improvement of our international monetary system.

This means, first, that we are not at present instructed to work out a complete blueprint for a new or improved reserve system or any such improvements. We have to find essential points of agreement as a basis for later improvements.

And secondly, we have to work out a report to our bosses, to the Ministers and Governors of the Central Bank, and it is scheduled that this report will, I hope, be ready, say, by the end of June. But we are still in the preparatory discussions for this report. We haven't even begun to draft the report, and this means that we are still in the middle of discussions and negotiations, and this I

hope you will appreciate and understand, that in the middle of such discussions, it is extremely difficult if not impossible to say anything on the position of single countries.

These positions are all provisional. There is no final position as yet. They are provisional and they may be changed. We have seen such changes from one meeting to another and as we are not nearly at the end of our whole effort, and as we are in the middle of this discussing and negotiating period, it would be futile and improper to say anything in any detail on single countries' positions in these discussions. And more so as the final decision on all the points rests on the Ministers concerned when our report will be discussed by the Ministerial group.

So I hope you will understand the present status of our work and will not expect me, that I disclose any particular details on any particular country.

Thank you.

QUESTION: Dr. Emminger, without going into the individual positions of particular countries, can you tell us what areas of agreement seem to have been arrived at so far?

Dr. EMMINGER: I would say that some of the—one of the major—some of the major areas of agreement have been really an understanding of the problem as such because when we began our work we had really diverse opinions on what the main problem really was.

I could—I think I could say now that there has been—there has developed a consensus about what the nature of our problem is. I would also say that there is a wide measure of agreement, which is a second major area of agreement, there is a wide measure of agreement that even if there is some difference of opinion about the urgency of the problem, that there is on the other hand the necessity or at least usefulness to have what we call contingency planning. That is to say, that one should plan ahead for the contingency of a possible future shortage of reserves.

As I said, there are still nuances, shades of opinion as to whether such a contingency may arise very soon or at a later date because this depends very much on other factors, but this has come out very clearly.

We all think, or there is at least a wide measure of agreement, that one would have to prepare for such contingencies, and furthermore, that it will take a long time anyway to get anything really done to the point of execution in such a difficult field with so many international partners taking part, so that for this reason alone, but also for other reasons, it is advisable to go ahead with what I call contingency plans.

QUESTION: Is that a unanimous view now, Dr. Emminger, on the wisdom of contingency planning?

Dr. EMMINGER: Well, we haven't nailed down the things always to the point of having a vote because we are not yet in the phase where—in the phase of discussions where we have to vote on every point. So what I said is a very wide measure of agreement, and it is really the basis on which the group just now is really working.

QUESTION: Are there any firm plans for another meeting for drafting the report?

Dr. EMMINGER: Oh, yes. We have laid out our plans until the end of June when we hope to finalize our report to the Ministers. There will be another meeting in about four weeks time in Europe again, and then in June we hope to have a final meeting where we can finalize our report, because we have to plan ahead also in this respect.

The decision on the exact date and meeting place for the next meeting has not yet been taken. It will be taken this afternoon. But I have no doubt what the outcome will be. It will be a meeting in Rome.

QUESTION: Dr. Emminger, can you say, sir, whether the discussions have focussed on a contingency planning basis, of course, on the two ideas that have been most talked about, namely, a unit and drawing rights?

Dr. EMMINGER: This is right. These have been the two major ideas put forward and it was natural that these were the two major ideas because there are not very many other possibilities. And really the discussion has focused on these two possible ways.

QUESTION: Are both these ways still being discussed, Dr. Emminger?

Dr. EMMINGER: Yes, very much so. Both are still being discussed.

QUESTION: May I ask, sir, have you yet come to grips with the question of how the negotiations are to proceed following the conclusions of the Ten?

Dr. EMMINGER: We haven't found it urgent to come to that question before we have a clearer outline of the nature of our report. So I just discussed this very question during the luncheon before I came here, that we shall have to probably come to grips with this problem at our next meeting.

Maybe I should explain the implication of your question, Mr. Dale. When we got our instructions from the Ministerial group last September, we were also instructed to make proposals during this year for an eventual rider body wherein they consider these questions because it is quite clear that these are questions that vitally interest all the other countries and the Group of Ten, and that the Group of Ten has only now the function of trying to, well, as I said, come to some sort of understanding on the essential points or basic points, but everything else must be, of course, then discussed and negotiated with all the countries that are interested, participating in some way.

Now, I cannot foresee when this expansion into a wider body of discussion will actually take place nor what this wider body of discussion will be because up to now we haven't yet formed any idea. But this particular question will be solved or, rather, we will make proposals to the Ministers on the basis of understandings with the Managing Director of the International Monetary Fund because he, of course, represents the interests of the whole community of nations in this respect.

You have also heard that representatives of the International Monetary Fund and of some other international organizations are continually taking part in our deliberations.

QUESTION: The Colombo Plan has been examined in this meeting.

Dr. EMMINGER: Would you perhaps specify what you understand by Colombo. You mean the Italian proposal?

QUESTION: Yes.

Dr. EMMINGER: I take it you mean the various points mentioned by Minister Colombo at the last annual meeting.

QUESTION: Yes.

Dr. EMMINGER: Oh, yes. I think all these points brought forward have very much been also in the center of our discussions. Of course, they were put forward in a much more detailed form in the meantime, but this is just, of course, part of all the proposals. A number of Deputies have brought forward such estimates or proposals and we have really systematically run through all the major points which are connected with the present reserve systems, and any future changes in the international monetary system. But these—I know what you mean. These particular proposals of Signor Colombo have been very closely examined.

QUESTION: Dr. Emminger, is there any agreement yet on whether it should be a unit or a drawing right or both?

Dr. EMMINGER: I couldn't say that there has been any agreement on that because, as I said, we haven't come yet to the stage where we now are fixed on who is exactly for this and that. It is all in the provisional stage yet. People are still groping their way through the various possibilities, and also we see quite clearly some predilections of some delegates or some countries for this solution or for that solution.

One cannot say yet any such point is agreed. This would be premature.

QUESTION: You mentioned that the IMF and the Bank for International settlements and the OECD have been in on these meetings, or as you put it, participating in the meetings. Do they participate merely as observers or do they actually take part in the discussions, make suggestions, and in effect negotiate?

Dr. EMMINGER: They take part in the discussions. They make suggestions. They put in papers. And so there is a very lively give and take. I wouldn't say that they take part in the negotiations because they are not negotiation partners. You know, the IMF is really composed of its members and negotiating would mean negotiating with the members as represented by the governing bodies of the IMF.

Now, it is not a negotiation of that kind. It is just an exchange of ideas, and as I said, a very lively give and take, especially between this group and the IMF. The IMF staff.

QUESTION: Dr. Emminger, do you anticipate yourself that by the end of June when the report is made that there will be some substantial, meaningful basis of agreement to report?

Dr. EMMINGER: I hope so. I would not say on any—on every single detail because that would be just hoping for too much. But I would think that we would find and we are in the process of finding a number of, well, what is called areas of agreement on essential points, on which to build at the next stage.

QUESTION: Dr. Emminger, I take it from what you say that there is still no consensus on the urgency of reaching a solution to the problem?

Dr. EMMINGER: It depends on what you call consensus. This is, of course, always a convenient word in order to avoid unanimity and still say—what I said was that there are differences or shades of opinion as to the urgency of the question. You know probably very well that some European countries, not just one but several European countries, have consistently expressed that this problem is not so urgent as to require an immediate solution, that one has enough time to go into the matter very thoroughly, and they have also said, and I tried to make this point myself, that the urgency very much depends on the evolution of the American balance of payments because the American balance of payments, if there is a deficit, that is one of the sources of reserves for all the rest of the world. And if you have still a lot of new reserves injected into the whole international system by way of American balance of payments deficits, then the urgency of finding something new to supplement the traditional methods of reserve creation is, of course, less. And this explains, of course, also why there are, as I said, some differences of opinion as to the urgency.

But this has not prevented us from going ahead because of this notion of planning against the contingency of shortage of reserves.

QUESTION: Dr. Emminger, what are your ground rules? When you take a vote, do you have to have unanimity or the majority, or what majority?

Dr. EMMINGER: We don't have any such ground rules. We have to try to get unanimity or as much unanimity as possible in order to get an agreed report to the Ministers. But I would expect that on some points we won't get an entirely agreed report. We won't get entire agreement, and then we will have to point out to the Ministers, well, on this point a majority was of said opinion and some members were of a different opinion, and then it reaches the stage of political decisions. If there are such differences of opinion, then they must finally be resolved on the political levels, that is to say, by Ministers and primarily by the Governments themselves, but the Governments cannot really form themselves an opinion on any possible disagreements without having a very good, well reasoned report on where we agree, where there are still disagreements, what are the reasons for the disagreements, etc. And this is what we have to provide.

QUESTION: Would you say the deputies have made as much progress as they expected to when they started this round of—

Dr. EMMINGER: I would say yes. I would never have expected that it goes much quicker than it actually did.

QUESTION: Granted that you haven't yet gotten to a voting stage, but is there any sense at all of the participants about the rate at which reserves should grow in the future, when and if—if a possible shortage develops when and if the

U.S. balance of payments gets into equilibrium, or is there a range, a billion or three or something like that? What can you tell us about this?

Dr. EMMINGER: I think I can tell you about that. There is as yet—there has as yet not been any real attempt at getting down to figures, and I may say here that all the figures mentioned in the press as being contained in the proposals or suggestions of one particular country were not firm proposals for negotiating purposes but were nothing but illustrative figures in order to illustrate how on any particular hypothesis these things might look, how they might be partitioned, et cetera.

I know very well what figures have appeared in the press and I know where they come from but let me make clear that they were intended to serve as illustrative figures and nothing else.

Dr. Emminger, you have shot down so many balloons today, is there an Emminger Plan?

Dr. EMMINGER: To this I would say the following. As I happen to be the Chairman of this group occasionally I feel an urge of doing more than just summing up discussions of other people, you see.

QUESTION: Let yourself go.

Dr. EMMINGER: I beg your pardon?

QUESTION: Let yourself go.

Dr. EMMINGER: But usually I do nothing but just listen to the deputies and then summarize their views, but occasionally I try to get the things moving if they seem to get stuck, and then it may be that I make a suggestion, why shouldn't we proceed this way or that way? Whether it is then called an Emminger proposal or not, I have nothing to do with that.

Does that answer your question?

QUESTION: Thanks, yes.

QUESTION: Can you tell us, sir, the process which you will follow in drafting the report? Are draft reports yet in existence?

Dr. EMMINGER: No. I said—

QUESTION: No, that is right.

Dr. EMMINGER: I said in the beginning that we haven't even begun drafting it, and I must say I am not particularly happy about that because I as the Chairman would have liked to have already now a firm draft on which we could then just go into that more precise voting procedure, see where we are in full agreement, but we are, I think, just at the beginning of that. So in Rome we shall be in the drafting stage if everything goes according to plan.

QUESTION: Dr. Emminger, is there any consensus at all at this point about how closely this new, whatever it is, will be linked to gold? Whether gold will be traded with it?

Dr. EMMINGER: This is one of the many suggestions that have been made and I wouldn't venture to guess whether it is a suggestion that will be finally retained or not.

You know very well that there are differences of opinion on such a point, and I am not sure whether we shall get to an agreed rule on such a point as this one.

We haven't yet tried on this, just as on other points, really to nail down, pin down the opinion of everyone, nor have we yet reached the stage where one could put all the difficult points together and try to get to an overall package of agreement.

QUESTION: What are the areas where you think the prospects for agreement are best as of now?

Dr. EMMINGER: Well, it was already mentioned before that as concerns the form of any possible new reserve assets, there are two possible ways. One is the so-called reserve unit and the other is some kind of a drawing right in the Fund.

Now, I would say if there is any outcome in the very near future at all, one of these two ways certainly will come about, and it is not unlikely that a combination will come about, but this is a personal guess of mine and I wouldn't commit any of my fellow members of the group to that view.

QUESTION: Dr. Emminger, I understand by some press reports which some others of my colleagues wrote down that there is some difference in your opinion, I mean, between Dr. Emminger and Mr. Deming, there was some difference of opinion concerning these problems. And my question is did these differences come up at this conference, these four days' conference?

Dr. DEMING: Did these differences—you mean was there, have they been resolved now? I don't know whether there were any such differences and this now is a little bit difficult for me to answer, because if you ask me what really has happened on detailed points during these four days, I think I would transgress really the limits which in the nature of the whole exercise I have to observe.

QUESTION: What would be a way in which you could achieve a combination of a CRU and a Drawing Right?

Dr. EMMINGER: Oh, I wouldn't call it a CRU because this expression has not been used with us.

Anyway, I think there are a number of ways of combining these two essential approaches, not just one. But I must tell you that the possible combinations of the two are a highly technical question on which at the present time I personally would not myself quite see what the best solution would be because we are still trying to reach full understanding ourselves. This is just one of the many points on which we are still trying to find our way, groping our way, and I couldn't tell you now—it would also be too technical—what these possible combinations are, but what I want to say is that there are several possibilities for combining these two approaches.

But I must say again that please don't misquote me if I say that there is a possibility of such an outcome of a combination. This is really a personal guess of mine, nothing more.

QUESTION: Can you say, sir, whether there is uniformity in the Ten that other countries, including the poor countries, must be allowed to share in some way in any reserve creation?

Dr. EMMINGER: I would say yes, there is a consensus. As I said, there hasn't been any vote up to now but there is a consensus and I may perhaps specify that even a little more, we have proceeded from the assumption that we have not just look to the interest of this particular group but that we have to look at what we always call the global needs, the needs of the world economy, and the reserve needs and the reserve system of the whole international community. This has been really—I should perhaps have mentioned it as one of the areas of agreement in the sense really that there has been no voting but the general acceptance of this starting point and this, of course, has probably quite important consequences for the outcome.

QUESTION: Dr. Emminger, what do you feel you have accomplished during these past five days?

Dr. EMMINGER: What—

QUESTION: What do you feel you have accomplished during these past five days?

Dr. EMMINGER: As a matter of fact, it was only four or up to now only three and a half because at half past three we are due to begin again, and I hope that very much will be accomplished this afternoon. So I couldn't even tell you what the final outcome would be.

But as a matter of fact, in this meeting, I think I can say we have gone through every single major point that anybody in this group of deputies has suggested up to now as a possible improvement of our international monetary system, and in particular of the international reserve system. We have gone through any single point, this in order to be able to go into the drafting stage, well, at the next meeting.

And I tell you that the three and a half days were barely sufficient to go through all these points. So that is why we have some left over for this afternoon.

QUESTION: Thank you very much.

Mr. DEMING: May I repeat to you what Mr. King said at the beginning. Some of you came in late. This conference is on the record. It is embargoed for the papers of Sunday, April 24, that is, no publication before seven p.m., Saturday night.

(Whereupon, at 3:10 o'clock p.m., the press briefing was concluded.)

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

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and/or a translation into English of the French.

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

TUESDAY, MAY 17, 1966

Respecting

Main Estimates 1966-67 of the Department of Trade and Commerce

INCLUDING SIXTH AND SEVENTH REPORTS
TO THE HOUSE

WITNESSES:

The Hon. Robert H. Winters, Minister of Trade and Commerce; *From the Department of Trade and Commerce:* Messrs. J. H. Warren, Deputy Minister; L. J. Rodger, Comptroller-Secretary; Walter E. Duffett, Dominion Statistician.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme
and Messrs.

Andras,	Comtois,	Lewis,
Basford,	Flemming,	Macdonald (<i>Rosedale</i>),
Cameron (<i>Nanaimo-</i>	Grégoire,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Hees,	Monteith,
Cashin,	Irvine,	More (<i>Regina City</i>),
Chrétien,	Lambert,	Munro,
Clermont,	Lamontagne,	Stafford,
Coates,	Leboe,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

CORRIGENDUM (English copy only)

MINUTES OF PROCEEDINGS AND EVIDENCE No. 5—Thursday, March 31
and Thursday, April 28, 1966.

In the Minutes of Proceedings

Page 197, Proceedings of April 28, 1966

Add the name of Dr. Wm. C. Hood, Special Adviser to the Governor
of the Bank of Canada, to the list of those *in attendance*.

ORDERS OF REFERENCE

TUESDAY, March 22, 1966.

Ordered,—That, saving always the powers of the Committee of Supply in relation to the voting of public monies, the items listed in the Main Estimates for 1966-67, relating to the Department of Trade and Commerce be withdrawn from the Committee of Supply and referred to the Standing Committee on Finance, Trade and Economic Affairs.

FRIDAY, May 20, 1966.

Ordered,—That the Standing Committee on Finance, Trade and Economic Affairs be authorized to sit while the House is sitting during study of the Estimates of the Department of Trade and Commerce.

Ordered,—That the quorum of the Standing Committee on Finance, Trade and Economic Affairs be reduced from 13 to 9 members.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORTS TO THE HOUSE

* TUESDAY, May 17, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

SIXTH REPORT

Your Committee recommends that it be authorized to sit while the House is sitting during study of the Estimates of the Department of Trade and Commerce.

Respectfully submitted,

HERB GRAY,
Chairman.

Concurred May 20, 1966.

TUESDAY, May 17, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

SEVENTH REPORT

Your Committee recommends that its quorum be reduced from 13 to 9 members.

Respectfully submitted,

HERB GRAY,
Chairman.

Concurred May 20, 1966.

MINUTES OF PROCEEDINGS

TUESDAY, May 17, 1966.

(10)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.10 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Cashin, Chrétien, Clermont, Coates, Comtois, Gray, Grégoire, Hees, Irvine, Laflamme, Lambert, Leboe, Macdonald (*Rosedale*), McLean (*Charlotte*), Monteith, More (*Regina City*), Munro and Valade (19).

Also present: Mr. Scott (*Danforth*).

In attendance: The Honourable Robert H. Winters, Minister of Trade and Commerce; Mr. J.-C. Cantin, Parliamentary Secretary to the Minister of Trade and Commerce; *From the Department of Trade and Commerce:* Messrs. J. H. Warren, Deputy Minister; T. R. G. Fletcher and Denis Harvey, Assistant Deputy Ministers; L. J. Rodger, Comptroller-Secretary; R. E. Latimer, Director, Office of Trade Relations; L. L. Marks, Chief, Financial Services Division; P. M. Legris, Director, Personnel Branch, V. J. Macklin, Director, Economics Branch; Walter E. Duffett, Dominion Statistician; D. Bresnahan, representing H. L. Brown, Commissioner General of Canadian Government Participation in the World Exhibition; B. F. Armishaw, Executive Assistant to the Deputy Minister.

The Chairman presented the First Report of the Sub-Committee on Agenda and Procedure, which is as follows:

Your Sub-Committee met on Tuesday, May 10, 1966, and has agreed to recommend that this Committee seek permission to reduce its quorum from 13 to 9 members.

Your Sub-Committee also recommends that the timing of the presentation of such report to the House be left to the discretion of the Chairman.

On motion of Mr. Lambert, seconded by Mr. Laflamme, the report of the Sub-Committee was approved, on division.

Mr. More (*Regina City*) moved, seconded by Mr. Leboe, that the Committee seek permission to sit while the House is sitting during the study of the Estimates of the Department of Trade and Commerce.

Mr. Grégoire moved, seconded by Mr. Coates, that the motion be amended by addition of the words "such permission to be effective for one week only."

And the question being put on the amendment of Mr. Grégoire, it was negatived on the following division: Yeas, 3; Nays, 14.

The Chairman thereupon put the question on the main motion of Mr. More (*Regina City*), namely, that the Committee seek permission to sit while the House is sitting during the study of the Estimates of the Department of Trade and Commerce. The motion was carried on the following division: Yeas, 15; Nays, 1.

The Committee then proceeded to consideration of the Estimates of the Department of Trade and Commerce, in accordance with its order of reference of March 22, 1966.

The Chairman called Item 1:

Departmental Administration . . . \$6,664,500, and invited the Minister to make a statement.

The Minister made a statement outlining the operations of his Department. During his statement he tabled a copy of a letter from the Deputy Minister for foreign-owned companies requesting information, on a confidential basis, relating to certain aspects of their operations and financing.

Ordered,—That the letter tabled by the Minister be incorporated as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix A*).

The Chairman directed the Clerk to distribute copies of the letter and of the Minister's statement to the members so that they would have an opportunity to study them before the next meeting.

The Minister was questioned, and was assisted in answering questions by Mr. Warren.

In response to a question by Mr. Valade regarding exports and imports of raw materials and finished goods, Mr. Duffett agreed to provide such information for the next meeting.

At 1.05 p.m., the Committee adjourned until 11.00 a.m., Tuesday, May 24, 1966.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, May 17, 1966.

● (11.08 a.m.)

The CHAIRMAN: Would the Committee please come to order. I would like to note for the record how quickly we were able to convene this official session. This speaks well for the constructive work that the members of this Committee are doing on the important subject before us.

Would the Clerk of the Committee read the first report of our sub-committee on agenda and procedure.

(See Minutes of Proceedings and Evidence)

Is there any discussion on this report? If not, would someone move the adoption of the report.

Mr. LAMBERT: I so move.

Mr. LAFLAMME: I second the motion.

The CHAIRMAN: Agreed?

An hon. MEMBER: On division.

Motion agreed to, on division.

The CHAIRMAN: While this is not part of the steering committee's report I would suggest to the Committee that at this time they consider presenting a motion for leave to sit while the House is sitting. Because of attempts to have all Committee meetings confined to a few mornings of the week there has been a great problem getting committee rooms for these meetings. I was rather disturbed to learn, for example, that there will not be a committee room available for our meeting this Thursday morning. In view of the very important work we are undertaking right now and the very important work we are about to commence, when we finish with the item on our agenda—and I am referring to the Bank Act—perhaps we might consider a motion of the type I have suggested. If that is acceptable to the Committee I will undertake to use my discretion in this regard and I will present it to the House only when I consider it will not interfere with the work of the House and when it can be properly dealt with. I do not want to open a wide ranging debate at this time. Unless the Committee is prepared to deal with this matter rather quickly I will hold it in abeyance until later. However, I thought, because of the apparent urgency of the question, I would raise it at this moment.

Mr. COATES: Mr. Chairman, I certainly am not going to agree to such a proposal unless some assurance is given we will not go into the House of Commons to present the report and become involved in a big argument which

would make the House of Commons look like something less than the institution it is supposed to be. Because the member for Lapointe rises and speaks for hour after hour on the subject, when we should be doing the business that is before us, is no reason for me to become involved to the same extent.

The CHAIRMAN: Well, strictly speaking, members of the Committee, I think perhaps before we can properly discuss this we should have a motion before us. I should be strict about this and ask that someone present a motion; then, if there is a seconder for it perhaps we then should defer this matter to the steering committee for their consideration.

Mr. GRÉGOIRE: Mr. Chairman, before you ask for a motion, I think it would be wise to present a motion similar to those presented by other committees. A motion should be presented to sit for so many days while the House is sitting, and the Committee should go to the House every week to ask for renewal of this permission. It should not be given a blank cheque.

The CHAIRMAN: I would suggest something that may commend itself to the members of the Committee and may harmonize the apparent views. Perhaps the Committee might want to seek permission to sit while we are considering the estimates of the Department of Trade and Commerce.

Mr. MORE: I so move.

The CHAIRMAN: Moved by Mr. More.

Mr. GRÉGOIRE: Let us just try it for a week.

Mr. LEBOE: I second the motion.

The CHAIRMAN: Is there any discussion on this?

Mr. COATES: Well, Mr. Chairman, once again the member for Lapointe suggests that we do it for a week. Now, if by doing it for a week we are going to eliminate debate in the House of Commons, then I think we should give consideration to his amendment. I do not think we should get ourselves in a position where we are going to go to the House of Commons and argue about it on the floor of the House.

Mr. LAFLAMME: On what?

The CHAIRMAN: There is a new amendment presented to us.

Mr. GRÉGOIRE: I move an amendment, that we try it for a week.

Mr. COATES: I second the motion.

The CHAIRMAN: Is there any further discussion?

Mr. LEBOE: Mr. Chairman, I feel that there is a principle involved here. I do not think that we should establish the practice of one member of the Committee setting up the rules that we are going to follow. I resent that. If Mr. Grégoire wants to argue on the floor of the House that is up to him, but I do not think we should be bowing to the particular wish of everyone on the Committee because if we do we are going to have chaos.

The CHAIRMAN: Is there further discussion at this time?

Mr. MORE: Mr. Chairman, does Mr. Grégoire not think it would facilitate planning and doing our job with regard to this department if we asked for it

while we are dealing with this department? Then, when we move into another area there might be different conditions attached.

Mr. GRÉGOIRE: I know that the House prefers to have other sitting times for the Committee and, as a matter of fact, I think that a change may be made this week because of pressure that has been brought by members on all sides of the House. I have heard that perhaps this Friday and next Monday Committees will sit and the House will not sit. I think we are on the way to finding a solution to this problem. I do not think we should turn back now. If Mr. Leboe is not satisfied with the amendment then he can vote against it. But, I have moved an amendment and if we are not finished this week then we can move another one next Monday for another week.

Mr. LEOE: Mr. Chairman, I suggest that we vote to kill the amendment and deal with this matter on the floor of the House, when we get there. I will not be kicked around by any individual member here.

The CHAIRMAN: Well, sir, it is up to the Committee. I would point out that any general arrangement of the House which is made into a formal order would supersede any individual arrangement for a particular Committee. If the Committee is ready to come to a decision on the motion and the amendment before it I would first put the amendment to you for a vote.

Mr. MONTEITH: Would Mr. Grégoire amend his amendment to the effect that we be allowed to sit while the estimates of the Trade and Commerce Department are in front of us?

The CHAIRMAN: I think that is the main motion. Is the Committee ready for the question on the amendment?

Mr. LAFLAMME: What would happen in this case, if one member opposed it in the House?

The CHAIRMAN: I will take advantage of the rules and give proper notice so that unanimous consent will not be required to bring this on the floor of the House for discussion. The amendment is that this Committee seek permission to sit for one week while the House is sitting. All those in favour? All those opposed?

Amendment negatived.

Now, on the motion itself, which is that we ask permission to sit while the House is sitting only while we are considering the estimates of the Department of Trade and Commerce. All those in favour? Opposed?

Motion agreed to.

The business before us is the main estimates of the Department of Trade and Commerce for the fiscal year 1966-67. I might just say, generally, that the steering committee looked at methods of proceeding and they decided, that without, at this point, preparing a formal report setting out a code of procedure, the steps I mentioned might be tried out to see how they work, and only then could an attempt be made to create a specific code. I propose to ask the Committee to deal with the estimates roughly in this way. I will call Item 1 and I will invite the minister to give a statement on the work and policy of the department in a general sense. I then will call for general questioning and discussion arising out

of the statement, with questions on specific points deferred to the votes relating to them. When we seem to have completed, generally speaking, the general discussion and questioning on Item 1, I will ask that Item 1 be stood and then we will proceed to consider each vote in turn. Finally, when we have disposed of each vote, I will call Item 1 again for the completion of unanswered questions and general discussion on matters that have not been dealt with.

There is one exception; I would suggest to the Committee, since the vote on Expo is actually the last vote in the order the estimates are set out, that the minister's general statement on Expo be held over until we reach the specific vote so that we can deal with Expo as a unit. I think that this may commend itself to the Committee as an orderly way of carrying on its business.

Unless there is some comment on what I have just said, I will invite the Honourable Robert Winters, Minister of Trade and Commerce, to proceed with his statement.

Mr. GRÉGOIRE: Mr. Chairman, may I ask when we will deal with the Dominion Bureau of Statistics and the national census of 1966?

The CHAIRMAN: It is my suggestion to the Committee that since the D.B.S. estimates are not in the grouping of Trade and Commerce estimates in the blue book, and since, in a sense, the Bureau has the status of a department reporting to the minister, that the Committee might find it convenient to deal with the D.B.S. as a unit once we complete our discussion of the main headings under Trade and Commerce.

Mr. GRÉGOIRE: After Expo.

The CHAIRMAN: Yes.

May I invite the minister to begin?

The Honourable ROBERT WINTERS (*Minister of Trade and Commerce*): Thank you, Mr. Chairman.

Mr. GRÉGOIRE: Mr. Chairman, it might take a long time before we reach that point. Would it not be a good idea to discuss that question, and because the census will start on June 1st, might it not also be a good idea to discuss this problem on article 1?

● (11.15 a.m.)

The CHAIRMAN: No. Let me make this suggestion to the Committee. The Committee may feel that the work of the Minister falls into three main headings: Firstly, the general and important question of trade policy; secondly, the Canadian Government's link with Expo and, thirdly, the Dominion Bureau of Statistics. The Committee may feel that from the point of view of orderly consideration the three phases should be dealt with in separate categories. However, to avoid taking the time of the Committee at this point on a detailed discussion of this and use up the time available to us—and since I suspect that the presentation of the Minister on trade policy will take up a major part of the time before us this morning—I will undertake to call the steering committee together for a meeting to see if we can come to some final decision on this point as soon as possible to take into account the point you have made. Of course, you are a member of the steering committee.

May I invite the Minister to begin.

Mr. WINTERS: Thank you, Mr. Chairman. I welcome the opportunity to appear before the Committee and I simply want to say that I have with me today at the table, Mr. Cantin, who is my Parliamentary Secretary, Mr. Warren, the Deputy Minister of the department, and officials who will be available to answer any questions in due course.

Mr. Chairman, the estimates before you were prepared by my predecessor, Mr. Sharp, and I wish to commend him for the leadership he displayed during his tenure as Minister of Trade and Commerce. I am, however, pleased to introduce them to this Committee, and to have this opportunity to make some general observations about the Canadian economy and Canadian trade and the role the department is playing in their development. My statement, Mr. Chairman, will be rather lengthy.

The trading community has contributed greatly to the current expansion in Canada. After the spectacular advances of 1963 and 1964, merchandise exports rose by a further 5.6 per cent in 1965. In fact, exports have risen nearly two-fifths in the three year period 1962 to 1965, nor is there evidence of diminution in this strong forward momentum. While exports rose only slightly in the first three quarters of 1965, the growth trend has accelerated sharply since that time. In the first quarter of 1966, exports were up by 20 per cent from the corresponding period of 1964. Imports also have been rising sharply and the pace of advance has been accelerating. Imports rose more than exports in 1965: Canada's trade surplus was sharply reduced and the deficit on total current transactions widened. The change in our trade balance position is a direct result of sustained and strong growth in the Canadian economy and of the consequent demand for capital and consumer goods alike. These demands entail not only sharply rising imports but also the domestic absorption of a considerable volume of supplies which would otherwise be available for export.

Much of Canadian industry is now operating at, or near, capacity levels. It follows that, in the period ahead, export growth will be affected to a considerable degree by capacity limitations. In some industries further major gains in sales can come only upon the completion of plant expansion programs.

In these circumstances, our imbalance on current external transactions is not likely to diminish and some further increase in the deficit may occur. At the same time reliance on foreign borrowing must be held to manageable dimensions. It is of utmost importance, therefore, that the export community make the most of all available opportunities.

Export promotion efforts must be adapted and are being adapted to the particular needs of today. Present conditions require much care in matching new market opportunities to available supplies, while at the same time doing everything practicable to harness unrealized export potential within the Canadian economy.

In a number of commodity trades, problems of scarcity of supply have recently reappeared, due principally to unprecedented levels of demand. As honourable members know, the world market in copper is in a seriously disorganized state in which it has been necessary for the government to take steps to protect Canadian consumers while, at the same time, having regard, so

far as possible in the circumstances, for the legitimate interests of our traditional export customers. Domestic producers have, demonstrated admirable and statesmanlike restraint in maintaining the domestic price level at 45 cents in the face of much higher prices in overseas markets.

The supply position of sulphur has changed in a very short period from one of world surplus to one of a world shortage. Canadian requirements are being met by domestic producers and exports are at unprecedented levels. One significant mineral in which supply greatly over balances current demand is uranium. This industry has earned millions of dollars for Canada and will do so again. World demand will be great and we are in a favourable position to help meet it. Some important markets are denied to our industry because of problems of control but over-all requirements will be sufficient to make the industry flourish again—probably sooner than was anticipated even a few years ago—judging by the number of queries from potential customers. In the case of steel, aluminum and nickel, producers have been operating at near capacity levels and will likely continue to do so for the balance of 1966. High levels of demand in foreign markets for hides and skins coupled with production problems in at least one major exporting country, has created a situation of concern to some segments of Canadian industry and the government. There are also indications of tight supply in asbestos.

We can expect that some of these scarcity problems will be a feature of world commodity trades for a period. Canada is more fortunate than other major industrial and trading nations both in our ability to meet domestic requirements and in the benefit from gains from export sales. Industries producing commodities in short supply are making substantial investments to increase their capacity. A careful watch is being maintained especially over those commodity situations where Canada has a major producer interest.

Effective trade promotion must take full account of changes in the world and domestic environment. It must be intensive and focused to a degree unthought of even a few years ago. In contrast with the situation in 1960 and into 1963, there is now little general under-utilization of productive resources that can be allocated to export. Uranium is the one outstanding exception that comes to mind. At the same time the range of our manufacturing capacity has greatly increased and we have become competitive internationally across a broader range of finished goods.

In these circumstances the department has found it profitable to work more closely with trade associations in Canada to enable a canvass to be made of their total memberships in search of new interests and capacity to export. We are working more closely also with provincial trade departments, supplementing our resources in export trade promotion with theirs, and establishing contact with newer and smaller firms with their on-the-spot services.

We are trying to concentrate export resources and effort on particular overseas markets where the potential return is high. More and more we are probing prospects and matching specific supply capacity at home to particular demand abroad. The task is detailed and requires patience and perseverance but is worthwhile. We intend to continue these initiatives giving leadership where

this is needed, prodding, where prodding is needed, where there is export business to be obtained and we must get more and more of it.

Of all categories of goods, trade in fully manufactured items is increasing most rapidly. The department is emphasizing trade promotion of such goods both capital equipment and consumer products.

We are sending specialists abroad to make market studies for highly engineered products and to investigate projects requiring capital commitment. Presently Canadian firms are engaged on 227 projects in 67 countries.

The demand for engineering services abroad is on the rise and Canadian engineers, because of their past performance, have obtained an international recognition in fields of power and communication, pulp and paper, aerial surveys and mining. Usually these engineering services provide opportunities for the export of commodities. We intend to maintain and to expand our share of this business.

Nuclear power is becoming increasingly important in certain areas of the world and the department is involved in a close working relationship with industry and other departments in promoting interest abroad in the Canadian nuclear power system. Officials of foreign firms and governments are being invited by the department to visit our nuclear industry and to see firsthand the high level of Canadian technical achievement.

● (11.30 a.m.)

In promoting the sale of consumer goods the department has a program of inviting buyers from foreign department and chain stores to visit Canada when in North America on their annual buying trips, escorting them to Canadian sources of such goods. During 1965 more than 164 such buyers visited Canada and were helped to place orders for more than \$2 million of new business for manufacturers of consumer goods. This program is being steadily expanded.

We are neglecting no part of our economy where we find capacity to export.

In the forest products field we have worked in close co-operation with our lumber and plywood associations for the last few years to promote the use of Canadian timber frame construction techniques in Britain and Western Europe. In these countries our particular building system can clearly aid the respective housing programs. In consequence, not only have Canadian exports of some lumber and plywood increased sharply but in the wake of such successes new markets have opened for builders supplies, construction materials, housing components and household equipment of many kinds.

Demand for wheat has been strong, as has that for most of our agricultural products that enter international trade. In agriculture, apart from wheat, encouraging export gains are being made in oil seeds, forage seeds, purebred livestock, seed potatoes and processed foodstuffs. In dairy products, surplus supplies for export have disappeared and demand for mature Canadian cheddar cheese exceeds supply.

Exports of Canadian fish and fish products last year exceeded the \$200 million mark for the second successive year. The Canadian fishing industry is

expanding to take advantage of the opportunities. The department is continuing to explore new markets for our fishery products including that for fish available in Canadian waters not previously marketed commercially. A significant development recently was the sale of a sizeable quantity of fresh frozen fish from the Atlantic coast to Australia.

My recent trip to Europe confirmed the common sense of these selective policies and programs. Our senior Trade Commissioners stationed in Britain and Western Europe met with me to discuss current trade prospects for Canadian goods and their respective markets. I am satisfied that selective promotional efforts tailored to the particular prospects in these various European markets hold the key to further success in that area. These specialized efforts will supplement the department's customary services to establish export trade.

The department is now planning a phased program which over time will bring to Canada groups of our senior trade commissioners abroad from the United States, from Britain and from regional markets such as the EEC. Their program in Canada will involve departmental and inter-departmental discussions in Ottawa, specific to the trade potential of the markets from which they come. Each group will travel across Canada visiting the major commercial centres on a pre-arranged itinerary and timetable for individual interviews with businessmen interested in the foreign markets represented.

Whatever the department's efforts we must look to the Canadian businessmen for the ultimate response. It is, of course, the private businessman who takes the final decision to export and who ultimately closes the sale. Exporting is an exacting undertaking. Canadian businessmen must be ready to devote the necessary time and energy to export as a matter of permanent policy. The expansion of their production to meet export demands may well result in cost savings which will improve their competitive position both at home and abroad. Export can be a key to increased productivity just as increased productivity can be the key to increased exports.

There are still not enough Canadian businessmen showing up in some markets with good potential, but up to now relatively neglected. I also still hear too many stories of Canadian businessmen failing to follow up exports with adequate service. The department stands ready to help any and all and I assure you that departmental facilities and services are and will be modified, extended and improved as changing needs may require.

Export credit insurance and long term export financing are other important tools of Canadian export effort. During 1965 more than \$300 million of Canadian exports were facilitated by the special assistance extended by the government through export financing, through ensuring credits to foreign buyers and through Canada's External Aid Program.

The government's financing and insurance facilities have been progressively developed and adjusted to the needs of international competition. Eligibility for long term financing under Section 21a of the Export Credits Insurance Act has been broadened and made more flexible. The minimum value of a transaction eligible for long term financing has been reduced from \$2 million to \$1 million. Financing can be extended to cover the Canadian portion of a project in which there is joint participation with other interests. Lines of credit may now be

issued to national development banks to finance procurement in Canada. Project engineering and other services associated with a specific sale of a substantial amount of Canadian capital equipment continue to be eligible for long term financing.

In the field of export insurance, to help exporters to obtain financing under medium term credit from the banks the Export Credit Insurance Corporation has been authorized to extend a one hundred per cent guarantee to the exporter's bank once the customer has taken delivery of the insured goods.

The adequacy of our facilities in the area of financing and insurance is kept under continuous review in the light of the needs and the practices of our competitors. Changes will be introduced as the situation may warrant. Our experience with these facilities has been good, and this year Parliament is being asked to amend the Export Credits Insurance Act to provide a higher ceiling for long term financing.

Canada has traditionally played a leading role in extending assistance to developing nations. The benefits of this aid are directed primarily to the economic development of the recipient countries. Indirectly, however, it benefits the Canadian economy and increases the flow of our exports through the provision of Canadian goods which these developing countries would not otherwise be able to obtain. This program has mutually beneficial effects and merits encouragement.

A main focus of our efforts to enlarge access for our exports is the Kennedy round of trade negotiations. On a recent trip to Europe I took the opportunity to visit our delegation in Geneva. While there has been virtually a standstill for some months because of internal difficulties in the European Economic Community, I was encouraged to learn from ministers in Paris of the continuing French interest in these negotiations. Since the Luxembourg talks in January of this year, the members of the Common Market have been working toward a solution to these internal problems that need to be dealt with to enable them to participate fully in the bargaining process in Geneva. Plans are now going forward for the full resumption of ministerial negotiations.

Recent decisions in Brussels on the common agricultural policy of the EEC. give ground for encouragement that these solutions will be found.

Canada has a big stake in these negotiations and it is important that they should succeed. I have been impressed by the scope of the potential trade benefits.

Parallel efforts are being made in the GATT and under the United Nations Conference on Trade and Development to come to grips with the urgent need to improve the trading position of the developing countries. The aspirations of these countries cannot be achieved simply through the provision of increased amounts of aid. To a significant degree the answer must lie in greater opportunities for these countries to increase their export earnings.

Increased attention has been given to measures to improve and stabilize the export earnings of the developing countries through international commodity agreements. Further discussions are taking place this week in Geneva for the working out of an international sugar agreement. A United Nations Cocoa

Conference will convene in New York on May 23 looking to the negotiation of an international cocoa agreement. I have already announced in the House the renewal of the International Wheat Agreement for a further year to July 1, 1967. We are well aware of the great contribution being made by the I.W.A. in lending stability to the international trade in wheat. The future of our international arrangements for cereals will be affected by the outcome of the special group for cereals in the Kennedy round. It is too early to say what the results may be but these negotiations are aimed at improved terms of access, remunerative returns to producers, appropriate supply of management and food aid as ingredients in the total grain situation.

Along with our other partners in the Commonwealth we are currently preparing for a meeting of Commonwealth Trade Ministers which will be held in London, June 13 to 16, and which I plan to attend. The purpose is to explore ways of further encouraging and expanding Commonwealth trade. Many of the Commonwealth countries are actively supporting the Kennedy round of tariff negotiations. The Trade Ministers' Conference will, therefore, be focusing on specific measures which might be taken to further co-operation between Commonwealth countries in the economic field. Commonwealth markets account for more than two-fifths of our overseas exports and are of particular importance to many industries and areas in this country. In the British market Canadian sales, particularly in the field of manufactures, have been affected by the surcharges introduced in October 1964, to deal with Britain's balance of payments situation. The surcharge was reduced from 15 per cent to 10 per cent in April 1965 and is now to be removed entirely in November of this year. This is a welcome development. The major British export drive in the Canadian market is continuing to yield promising results. In the latter part of last year and the first months of 1966, Britain's exports to Canada were running substantially ahead of the same period last year.

There have been reports from Europe about renewed interest in the possibility of Britain joining the Common Market. Recent statements of British Government policy have indicated that Britain would be ready to enter the Community provided essential British and Commonwealth interests were safeguarded.

The question of Britain's entry is, of course, basically one for the British themselves to decide. We are keenly interested. We would, of course, have to know more about the possible terms of Britain's entry before we could assess the implications for Canadian trade. If they join on terms which benefit their own economy while safeguarding Commonwealth interests and strengthening European co-operation generally then Canada could stand to gain.

Mr. Wilson has pointed out that a good deal of probing and exchanges will be necessary before it can be determined whether favourable conditions exist for negotiation?

Australia and New Zealand have recently joined in a free trade arrangement. Initially it will cover slightly over half the trade between these two countries. The principal items of interest to Canada are in the field of forest products. The agreement between Australia and New Zealand has been examined in the GATT and procedures have been worked out for keeping it under

continuing review and for consultations to deal with any situations where the trading interests of third countries may be damaged. Similar arrangements were also agreed upon in the case of the free trade arrangements between Britain and Ireland which are due to come into effect in July of this year.

A number of the smaller Commonwealth countries of the Caribbean area, Barbados, Guiana, Antigua have also agreed to join in a free trade area to be implemented in September of this year.

The Prime Minister has announced a decision to hold a conference of heads of government of Canada and the Commonwealth countries of the Caribbean area from June 6 to 8 here in Ottawa, to review the possibilities of bringing about closer relations in a number of fields including trade. The West Indies have long been an important customer for many Canadian exports, particularly manufactured goods. A number of Canadian exporters have recently encountered difficulties in West Indian markets as a result of the measures taken by these countries to promote and encourage the development of new industry. The proposed conference will provide an opportunity to review these and other trade questions and seek a basis for further expansion of mutually beneficial trade between the two areas.

Increasing emphasis is being given to strengthening and furthering co-operation between Canada and France in the economic field. Last November senior French and Canadian officials met in Ottawa to study possibilities for intensifying and broadening trade and economic relations between the two countries and to consider international problems of common interest. We are looking forward to further exchanges of this kind in Paris this year.

Honourable members may be aware of the government's intention to send a Canadian economic mission comprised of prominent Canadians to France later this year. The Prime Minister will soon be informing Parliament of the details.

Turning to the state trading countries, our trade agreements with the Soviet Union and Bulgaria are up for renewal. Preliminary exchanges have also taken place with Roumanian authorities about the possibility of a trade agreement between our two countries. While there are special difficulties involved in developing trade with the state trading countries of Eastern Europe and China, we consider that over time there is significant potential for increasing sales to these countries on a more diversified basis. They, of course, already provide a major market for Canadian wheat.

Negotiations were recently completed in Hong Kong providing a substantial increase in wheat sales to China. As my colleague the Minister of Finance, announced in the House early last month, the basis has thus been laid for exports of Canadian wheat ranging from a minimum of 168 million bushels to a maximum of 280 million bushels over the three year period beginning on August 1, 1966. The total value of wheat shipments under the agreement could, therefore, exceed half a billion dollars.

During the negotiations with the Chinese, limitations were also agreed upon for Chinese shipments of sensitive goods to the Canadian market during the year beginning August 1, 1966.

Japan is our leading market in Asia and we have sought to develop the closest possible trading relationship with that country. A committee of Canadian and Japanese ministers has been meeting periodically and the possibilities of strengthening economic co-operation between the two countries are a major focus of attention in these discussions. We are now in the process of making arrangements for the next meeting of the ministerial committee which we hope will take place in the latter part of this year. We are planning meetings in Ottawa and in British Columbia.

We have also been studying the prospects of further development of our trade with countries in Asia. Preliminary discussions have recently been taking place with Korean officials on trade matters, including the possibility of establishing trade agreement relations between the two countries.

Long term financing has played an important role in developing our exports to Latin America, where credits entered into to date total \$120 million out of \$270 million world wide. Canadian exporters from coast to coast have supplied components and services for pulp and paper mills, transportation and highway maintenance equipment and steel rails to Argentina, Brazil, Chile and Mexico.

In 1965 our exports to the United States increased by 13 per cent to \$5 billion, 31 million and in the first quarter of the current year are up a further 26 per cent. Imports from the United States have been rising even more strongly and reached a level of over \$6 billion in 1965; for a trade deficit exceeding \$1 billion. To this we must add a deficit in invisibles such as servicing and repayment of debt, and dividends which in 1965 was close to \$900 million. This will give a current account deficit with the United States now approaching the \$2 billion level. This deficit will be financed through our trade surplus with overseas countries and through borrowings.

It is incumbent upon us to make a major drive to expand and develop our exports to the United States in order to narrow the gap. The United States has a major place in all our trade promotion programs.

Mr. Martin reported to the House on March 7 on the meeting between Canadian and United States ministers in Washington. They were beneficial and, I think, successful. I would like to underline the value of these periodic discussions between ministers in strengthening and improving the close co-operation and understanding between Canada and the United States. We are particularly gratified at the removal of United States' restrictions on imports of lead and zinc and by the increased U.S. quotas for Canadian cheese. As you know, the United States Tariff Commission has before it proposals for the enlargement of this cheddar quota by as much as 5½ million pounds a year and to establish a separate quota on aged cheddar of up to 1.2 million pounds per year.

It was agreed at the Washington meeting there should be a joint examination of the scope for further trade liberalization in the field of agricultural equipment, tractors and aircraft.

As you know we are already engaged with the United States in the Kennedy Round which I have referred to earlier. The successful outcome of

these negotiations would open up further opportunities, particularly for manufactured goods.

The Minister of Finance has spoken in the House of the special arrangements which have been made with the United States to assure our access to the American market for new issues and our exemption from the interest equalization tax on such issues, special arrangements made necessary in the light of the measures taken by the United States to deal with its balance of payments difficulties in the light of its large overseas commitments.

Measures applicable to non-financial corporations take the form of a direct appeal from the Secretary of Commerce to each of some 900 large United States' companies with extensive interests abroad. The Secretary asked each of these companies to maximize its contribution to the national balance of payments objectives through such measures as export expansion, repatriation of income from abroad, repatriation of short term financial assets and the maximum use of funds obtained abroad for investment purposes.

One outcome of our meeting was assurance given by the United States Government that United States corporations are not being requested to induce their Canadian subsidiaries to act in any way different from their normal business practices as regards the repatriation of earnings, purchasing and sales policies or their other financial and commercial activities. The United States authorities have, in fact, emphasized that it is their wish that the United States' subsidiaries abroad should behave as good citizens of the country where they are located and they undertook that this view would be made known to all companies concerned.

The role of the foreign-owned subsidiary in Canada has of course been subject to much discussion and debate for many years. These companies have responsibilities both to their parent companies and to the country in which they operate. The very fact of foreign control leaves them open to external influences which may not always be consistent with their own best interests or with those of the Canadian community at large. At the same time, subsidiaries occupy a prominent position in the Canadian economy and they are welcome citizens. They have contributed greatly to Canada's development in the past and their role in the future is no less essential. In a more interdependent world, companies with foreign affiliates have an increasingly important role in the international exchange of goods, services, technology and ideas. The government is, therefore, most desirous that subsidiaries be free to develop their full potential within the Canadian community.

It seemed appropriate in these circumstances to set forth some basic essentials of good corporate behaviour in Canada. These principles were set out in a letter dated March 31, which I sent to foreign-owned subsidiaries in Canada. The principles emphasized the need for subsidiary companies to strive for maximum realization of their potential and for full participation in and identification with the life of the Canadian community, including more opportunities for participation by Canadians in management and the objective of making available a portion of their equity so as to increase Canadian ownership of our enterprises. I have also written to Ministers of Trade and Industry in each of our provinces inviting their co-operation in this program and suggesting

that they bring the guiding principles to the attention of new subsidiary companies which may seek incorporation within their jurisdiction. The response on all fronts has been good.

In addition, the larger foreign-owned companies are being asked to provide on a confidential basis information on certain aspects of their operations. Data to be requested will include exports and imports of goods and services, total sales and expenditures, profits, dividends and certain elements of the company's financing. The information on financing is intended primarily to indicate marked shifts in the pattern of financing between foreign and domestic sources. Figures showing exports and imports, especially when considered in relation to total sales and expenditures, will provide better insight into the role and contribution of subsidiary companies within the Canadian economy.

I would like to place before the Committee a copy of the letter now being despatched by the Deputy Minister.

The CHAIRMAN: I will ask this to be attached to the minutes of today's proceedings. It will be available for the study of the Committee. I do not know if we have sufficient copies at this time.

Mr. WINTERS: That is the only copy I have at the moment, Mr. Chairman; others could be made available.

The CHAIRMAN: We could read the letter at this time but I presume it covers roughly what you have referred to.

Mr. WINTERS: Yes, very closely. There is considerable breakdown in tabular form which would make it very difficult to read. But if you wish to read the covering letter, you may do that.

The CHAIRMAN: It will be appended to the proceedings. I will ask the clerk if she could perhaps, with the assistance of the officials of the department, have copies of this made and distributed immediately so we will have this for our consideration along with the statement that is being made.

Mr. MONTEITH: I wonder if copies of the Minister's statement are available rather than waiting for the ordinary committee report.

The CHAIRMAN: I think that your suggestion is a most helpful one. I was going to make a similar suggestion. I do not think the minister today has copies of his statement available.

Mr. WINTERS: It is not available in the form I am giving it because I am varying quite a bit from the written text I have before me.

The CHAIRMAN: I would ask the Clerk to proceed immediately to have copies made and distributed forthwith to the members of the Committee, so that we can proceed immediately to our study of the details in it.

I want to thank you, Mr. Monteith, for the suggestion.

Mr. WINTERS: Thank you, Mr. Chairman.

In the field of tourism, the efforts of the Canadian Government Travel Bureau to increase foreign exchange earnings through stimulation of a staunch flow of tourists to Canada are being broadened as well as deepened. During the past year the Travel Bureau has worked in close co-operation with the

provincial travel bureaus, private carriers and other elements of our tourist industry, as everyone concerned prepared for the major effort required in 1966 and 1967. New Bureau offices have been opened, staff added, data processing equipment installed, literature is being translated into foreign languages through support efforts in Western Europe and elsewhere overseas. There are important supplements to the main promotional effort in the United States.

Canada's travel income for 1965 totalled some \$737 million compared to the previous record in 1964 of \$661 million, an increase of about 11½ per cent. Income from United States' visitors was \$650 million in 1965; revenue from overseas visitors was \$87 million, as closely as can be determined. Both categories of income were higher than in 1964. The outlook for 1966 is that new records will be set again as we build toward the 1967 tourist season which we expect to top anything heretofore.

While our receipts from visitors from other countries reached a new record in 1965, Canadians have continued to spend increasing amounts on travel to the United States and overseas countries. However, D.B.S. estimates indicate that Canada's international balance of payments deficit on travel account in 1965, was held down to the same figure as in 1964, about \$50 million. While less satisfactory than the \$20 million surplus in 1963, the 1965 figure compares very favourably with \$207 million deficits in both 1959 and 1960 and deficits larger than \$50 million in eight other years in the period of 1952 to 1961.

With vigorous travel promotion by the federal and provincial governments, the carriers and other sectors of the travel industry, Canada's travel deficit position has substantially improved since 1961. All indications are that a surplus should be in sight by 1967—perhaps even this year—and with good travel promotion Canada should then become established as a net earner of travel dollars.

But the tourist industry is looking well beyond 1967. In the increasingly competitive world of tourism it becomes essential to ensure that our facilities in Canada are adequate to provide the services, accommodation and attractions to tourists which they have the right to expect. Much can be done to improve what we have to offer in this regard in Canada.

● (12.00 noon)

The standards branch of the Department of Trade and Commerce has responsibilities issuing from five statutes all having to do with standards of measurement. I am pleased to say a word about this branch which does essential work but is not as much in the public eye as some other government services.

In the last few years industry and utility operators have been seeking broader, and in many cases more specialized applications, in measurement technology as they strive for increased efficiency and accuracy.

The customary pattern of fuel oil distribution is being challenged by pipe line service from central storage with each take-off metered by a slow flow unit.

Distribution of propane has an inherent loss factor by reason of a high expansion/contraction coefficient. An extended developmental program to manufacture suitable temperature-compensating devices has been successfully completed by several firms with the assistance of the department's standards branch.

The logging industry, in its search for greater efficiency, is converting from the dimensional scaling of logs to weighing, with the resultant installation of many high-capacity scales.

Railway systems have developed several successful approaches to in-motion weighing over electronic scales. Such load cells are efficient and eliminate the human error inherent in the use of mechanical scales. While electronic weighing has heretofore been largely confined to high capacities, the application will undoubtedly become much more broadly based.

In search of more accurate mass flow measurement, the gas industry has developed devices utilizing various flow parameters sensed by pressure and temperature transducers.

The electricity industry is developing magnetic tapes for recording customers' loads. Tapes are designed to be utilized by computers, in billing as well as to provide related information such as load characteristics.

This rapid growth in measurement technology has faced the Department's standards branch with some difficult engineering problems, as it carries out its responsibilities for approvals and field inspection. While laboratory testing for approval can normally be readily developed, the provision of test methods and equipment for field use requires extensive planning and development work. This is particularly reflected in the high-capacity volume and scale installations now being used by large segments of industry.

To meet increased demands on its manpower resources the standards branch has initiated in the laboratory calibration area computer programming on the mathematics and repetitive computation side to make available additional man-hours for construction and development work. For electricity and gas field inspections, automated proving equipment is being installed, releasing men and making staff available for the programming of "in situ" testing of metering installation. In addition, a pilot program based on statistical sampling of meters as a basis of in-service extensions has been set up at a large utility. It is anticipated that this will prove worthwhile and be adopted by other Canadian utilities.

The field inspection program has been maintained at high levels in all areas. While the volume and complexity of devices is on the rise, the branch has continued to meet its regulatory commitment and handle requests from all segments of industry for assistance.

Besides its regulatory responsibilities, the branch provides facilities and staff to industry for instrument calibration or technical research on measurement problems. All in all this is a branch which provides interesting and often exciting scope for technically minded personnel.

The Canadian government participation in the 1967 world exhibition will depict Canada, Canadians, the Canadian way of life, and Canadians in relation to the world, and will stimulate broadened comprehension and deeper understanding of Canada and Canadians.

Our program for direct participation provides for the design, construction, erection, landscaping and eventual disposal of the Canadian government pavilion. Within the pavilion will be featured over 100 exhibits valued in excess of

\$6 million, and evocative of the immensity and diversity of Canada as a land, the people of Canada and the growth of Canada as a nation. They will depict the wealth and diversity of Canadian resources and the personal and social challenges of living facing Canadians. The exhibits will also show Canada's interdependence with the rest of the world, and the capability of Canadians in adapting circumstances to suit their needs. Other features of the Canadian pavilion will include a theatre where Canadian artists will perform daily, a children's creative centre, a library, an art gallery, a sanctuary, various works of Canadian sculptors, et cetera. There will also be two restaurants, two snack bars and a cocktail lounge within the pavilion.

Hon. members will appreciate that I have been speaking only of the Government of Canada's exhibit at Expo. and not the vast over-all project assigned to the Canadian Corporation for the 1967 world exhibition.

If Committee members are interested, we will be pleased to arrange a presentation of the plans for the Canadian pavilion.

Mr. Chairman, on behalf of Expo. I invite you and your Committee to meet in Montreal with Expo. officials on site and inquire there into any aspect of the Corporation's activities that you may think appropriate. I will be pleased to make whatever arrangements are necessary to that end.

Thank you very much, Mr. Chairman.

The CHAIRMAN: Now, before beginning our general questioning and discussion, I think I should invite the Minister to present to the Committee the officials of the department he has here. I see he has with him, of course, a very distinguished Parliamentary Secretary, Jean-Charles Cantin, and two senior officials at the witness table. Perhaps he could introduce them, either himself, or he could ask one of the officials to present the others with him.

Mr. WINTERS: May I introduce the Deputy Minister, Mr. Warren, at the outset, and I will ask him to introduce the others.

Mr. J. H. WARREN (*Deputy Minister, Trade and Commerce Department*): Mr. Chairman, members of the Committee, on my right is Mr. Leslie Rodger who is the Comptroller-Secretary of the department who has particular responsibilities for financial management, personnel, and so on, who will be your most expert witness, I think, on the matters which are germane to the figures about expenditures of the department. Sitting behind Mr. Cantin is Mr. Denis Harvey, the Assistant Deputy Minister, Commodities and Industries Services. Next to him Mr. Latimer, General Director of the Office of Trade Relations. On his right, Mr. Tom Fletcher, the Assistant Deputy Minister External Trade Promotion, responsible for trade promotional activities abroad and with particular interest in the Trade Commissioner Service. Next to him Mr. Larry Marks who is in charge of the financial division of the department under Mr. Leslie Rodger, and on his right Mr. Marcel Legris, our Chief of Personnel. Next to him is Mr. Bresnahan who is representing Mr. Leslie Brown, who has responsibility for Canadian government participation in Expo. On his right Mr. Walter Duffett, the Dominion Statistician. On his right and second from the end, Mr. Brian

Armishaw, who tries his best to keep the Deputy Minister in order, and on his right is Mr. Victor Macklin, the Director of the economics branch of the department.

The CHAIRMAN: Thank you, Mr. Warren. We are, of course, on item 1.

DEPARTMENT OF TRADE AND COMMERCE
GENERAL ADMINISTRATION

1. Departmental Administration including fees for membership in the International Organizations listed in the Details of the Estimates \$6,664,500.

We are now open for general questioning and comment. I think perhaps it would be in order at this time for me to recognize the questioner from the official opposition. I call upon Mr. Hees.

Mr. HEES: Thank you very much, Mr. Chairman. I feel sure that we are all grateful to the Minister for the very full and lucid presentation explaining what the department has been doing and is doing. Our purpose in posing questions now is to find out whether or not the policies which are being followed are doing the job which we consider should be done in the interest of Canada. I know that the departmental officials, having worked closely with them in years past, are doing a very excellent job, and I have assured the Minister on a number of occasions that he has about the finest staff which any minister could hope to inherit, and I want to tell them all now I think they are about the finest group of gentlemen that any man could work with, and I know the department is being well run and well operated.

Mr. Chairman, in looking over the figures for the past couple of years I have noticed that while the rate of increase of exports is down in the last year, the rate of increase of imports is at the same time up. I think that we are all bound to be worried by a situation of that kind, and I think that is something that I would like to discuss with the Minister at the present time and see whether all possible steps are being taken to overcome what I consider an unsatisfactory situation and which I feel sure he would consider an unsatisfactory situation, too.

For instance, the exports of 1964 were about 19 per cent higher than the exports of 1963. But, the exports of 1965 were only 5.6 per cent over the exports of 1964. That means that our rate of increase of exports is down to about one quarter what it was just a year ago. At the same time, our increase in exports of 1964 over 1963 was 14 per cent, and our rate of increase of imports of 1965 was 15 per cent over 1964.

I would like to mention a few of the things, one by one, that our government did and found useful when we were in the same position the minister is at the present time to overcome what we considered then an unsatisfactory situation, and one that should receive special treatment. I feel that the situation today is a similar type of situation and I believe that it does need special treatment. I do not think that a department with figures such as I just mentioned, can simply coast along and figure that things are going to work out satisfactorily. They may; we hope they do.

One of the things that we did in early 1961—after we started moving in on a trade export promotion drive—was to ask our trade commissioners in all of our trading areas if they would send us a list of every product which they knew was being then manufactured in Canada, which they considered could be sold in their area that was not then being sold, or if it was being sold in small quantities could be sold in materially greater quantities. We received back a list in excess of 2,500 Canadian products which in the estimation of our trade commissioners could be sold in materially larger quantities in their areas if our businessmen would travel overseas and present their products in person to potential buyers. To find out what the Minister's attitude towards repeating that program, which after all was carried out some five years ago, in early 1961, I asked him the following question in the House on January 27, and I said I would like to direct a question to the Minister of Trade and Commerce. "In view of the need to greatly increase our export trade and the need to help our export producers in this regard, will the Minister give consideration to having his trade commissioners make another detailed survey of their markets, and report as to what Canadian goods could be sold there if a greater sales effort were carried out and then pass on this information to the industries as soon as possible."

The Minister replied, "Mr. Speaker, this is being done on a continuing basis. As the hon. gentleman knows we have an excellent trade commissioner service which is attuned to the opportunities in those areas the commissioners represent, which is in effect virtually the whole world. There is a continuing two way flow of information between them and the department in Ottawa, so as to keep attuned to the opportunities for Canadian businessmen to trade in foreign markets."

That was a very excellent answer and I take it from that that the Minister and his department are always, day by day, receiving information of the kind that we specifically requested in early 1961, with regard to these products made in Canada which could be sold in greater quantities in those trade commissioners' markets if sufficient trade efforts were put forth.

I might say when we received our information in 1961, we compiled it in two ways: we compiled it by areas and we compiled it by products, and we sent this information cross-indexed so that any Canadian manufacturer who wished to find out if his particular product could be sold anywhere in the world served by us could do it by looking up the product, the specific product, and he could then see the markets on which it could be sold; or if he wanted to find out what was selling or could be sold in a certain area he could look up the area. That information was sent to literally every businessman in Canada who was an exporter or a potential exporter. The distribution was very, very wide.

What I would be interested to see now, or hear from the Minister, is this. I would like to see copies of the information which now exists since the government took over in 1963, which has been sent out on a general basis to all of our manufacturers and our potential exporters who are not exporting the way we did in 1961, so they could become interested in the possibility of exporting their products into markets of which they have never dreamed that it could be sold. Could the Minister let me have a copy, or let me have one soon, of the information that has been sent out on a general scale to all business in

Canada the way we did in 1961, and the method which I suggested he consider when I asked the question on January 27, because I think this is the key to building up trade promotion, to give all Canadians who are interested in the possibilities of exports specific information as to the area in which their products could be sold? Could I be advised about that?

Mr. WINTERS: Mr. Chairman, I shall try in a general way to reply to the observations Mr. Hees made about the trend of trade. His reference to the fact that we are importing more than we are exporting from the United States is a matter of great concern to all of us. It is a way of life that we have lived with for a long time and perhaps will for some time to come. It is something we have got to devote our attention to and are doing. One of the difficulties in developing a greatly expanded export program now, is, as I have said, the fact that Canadian industry is just about working at capacity. There is very little elbow room left for the industrial sector of our economy to produce more goods for export now without expanding their plant. They are doing that now under conditions which are not the easiest in the world for plant expansion at the moment. But on the matter of trade figures that Mr. Hees mentioned, Mr. Chairman, he referred to our reduced exports last year—

Mr. HEES: The rate of increase.

Mr. WINTERS: The reduced rate of increase as compared to the previous year, was related to a situation largely in the early part of the year, and was influenced by the uneven movement of wheat. The rate has gone up substantially this year, and the Canadian rate of exports now is pretty good by any standards, and we hope that it will continue at a good rate and we are taking steps to see that it does.

The level of our imports, of course, is worrisome. It is part of the pattern of a booming economy when people are acquiring a great many capital goods for further expansion, and for an investment in the future of our country, and they are necessary. I still think, and I am sure you agree, Mr. Chairman—and Mr. Hees will agree—that we do perhaps import into this country more than we need to. We are an affluent society and we live on a scale that perhaps does encourage us to import things that we could do without. But we have had the freest climate for trading in Canada, than perhaps any other country in the world. Nations can trade into this country very freely with a minimum of restrictions.

With regard to the information flow between the trade commissioners and ourselves, I have not had an opportunity to assess in detail the various points which Mr. Hees raised. I will ask Mr. Warren to comment on the particular statistical side of it; but I do want to say that we have what I think is a very good two way flow of information between our trade commissioners and ourselves. I had the experience earlier this year of visiting Europe, and we assembled 29 trade commissioners, I think, from 27 countries. Each of them presented a detailed brief on the trading opportunities in his area. We had a full day's discussion on all of this. It was most useful, and as a result of this we have been able to get additional information out to the business community in Canada. But on the specifics of how this is made available to the business community in Canada in a tabular form, as Mr. Hees mentioned, I wonder if you would mind if I asked Mr. Warren to say a word.

Mr. HEES: Just before Mr. Warren does start, I wonder if I could comment or ask a question regarding something the Minister said a little earlier. In his general report and again he has repeated it now, he has said that one of the difficulties in increasing exports is that our capacity to produce has become limited. Well now, Mr. Chairman, I ask the Minister does this then make sense? I am naturally not doubting his statement at all. I am doubting the policy of the government which I commented on in the House yesterday whereby the Minister has said that our ability to increase exports is limited by our capacity to produce and we all agree that we must increase exports for many, many reasons. Therefore, we must increase our capacity to produce. Your government, Mr. Winters, has in its budget, by introducing this refundable 5 per cent tax, cut back on the ability of industry to expand its ability to produce. By the tight money policy which the government may protest against but it is in practice; every businessman, and I am sure you as a recent businessman know all about the tight money policy, and how impossible it is in many cases to get credit to expand your production. How in the world is this country going to increase its exports, which we must do, if the government by its fiscal policy is reducing the ability of our manufacturing industry to increase plant equipment and so produce more and export more?

The CHAIRMAN: Perhaps you would like to respond, Mr. Winters?

Mr. WINTERS: Yes. I would like to say that I never inhibited myself by lack of credit, Mr. Chairman. I found it available. But increasing production is not always just a matter of credit. A great amount of our production comes from our national resources: for example, copper. We could ship an awful lot more copper now. We just have not the copper.

Mr. HEES: I agree.

Mr. WINTERS: This takes finding mines. That is not easy. Then you have to develop them. There are all kinds of incentives for developing mines now with our three year tax free period, and so on. Everybody is trying to find copper mines. A lot of new copper mines have been brought into production. We could move over from copper to asbestos, to nickel where there is a greater world demand than we can meet and we are the world's largest supplier of nickel. These are the things I mean where the economy is pushing against the ceilings and we just have not got the capacity.

Mr. HEES: Mr. Chairman, the Minister has mentioned twice the shortage of copper. Surely he does not feel that our export potential is limited in a large degree by the lack of availability of copper. This is a very infinitesimal part of our whole economy.

Mr. WINTERS: Infinitesimal but it is—

Mr. HEES: Well, it is relatively small.

Mr. WINTERS: You take wheat, for example, which is a very big factor in our export trade. There is a limit to how much you can expand the production of wheat.

Mr. HEES: That is right, yes.

Mr. WINTERS: We are limited in many areas other than by credit.

Mr. HEES: We are limited in our ability to get copper. Now, in what else are we limited?

Mr. WINTERS: Nickel. I mentioned nickel.

Mr. HEES: Nickel and copper; any other commodities?

Mr. WINTERS: Nickel, asbestos and many other commodities.

Mr. HEES: Nickel, asbestos and copper.

Mr. WINTERS: I turn to the fishing industry. It is going all out, working at full capacity; selling all it can.

Mr. HEES: Mr. Chairman, does the Minister claim that our present drop in our rate of expansion of exports, 19 per cent from 1964 over 1963, 5.6 per cent the following year; you say that is accountable by these three commodities you say are now in short supply?

Mr. WINTERS: I used these as illustrative examples, but I did say at the same time as Mr. Hees will recall, Mr. Chairman, that our rate of export has picked up and is very strong. It picked up toward the end of last year because of the large movement of wheat which is a very strong factor in Canadian trade.

Mr. HEES: Mr. Chairman, I was amazed at the small difference in shipments that we actually made. But I again get back to the point, does the Minister believe that it makes sense when we have to increase exports and we can only do it, as he says by increasing our plant equipment and our ability to produce, then to cut back on the possibilities of increasing our plant and equipment by putting on taxes like this refundable 5 percent, the increase in income taxes, the tight money policy which is restricting industry in its ability to get money.

Mr. WINTERS: There is no increase in corporate income tax. This is not an impediment on the increasing of productive capacity. The 5 per cent off the top on the corporation profit is just a deferment.

Mr. HEES: It is a deferment which for a minimum of 18 months is going to stop the people who you say must increase their capacity to produce—from increasing—

Mr. WINTERS: The whole purpose of it Mr. Chairman, was to provide for an orderly growth, to spread out the growth and make it more orderly so that our costs would not run away under the inflationary pressures we are experiencing today. As Mr. Hees will know, costs are a very important element in any program of production, particularly when you are aiming at the export market.

Mr. HEES: Would the Minister not agree that one of the shortages that is causing the slow down is the lack of skilled labour.

Mr. WINTERS: I agree that one of the shortages is the lack of skilled labour.

Mr. HEES: Will the Minister not agree that to enable us to produce more and to export more, and in order to eliminate one of the impediments to increasing our production, the lack of skilled labour should have been looked after in the last couple of years by a policy that would bring into this country, by sufficient inducement, enough skilled labour from other countries to take care of the deficiency. The Minister knows that a company secures personnel,

lures it away from another company if it wants it, by higher wages, or whatever it is. Does he not think that perhaps the government should have seen to it that we did have enough skilled labour by luring the men by whatever means was necessary, because our training program obviously is not sufficient.

Mr. WINTERS: Mr. Chairman, I think it is safe to say—I have not been a part of this government very long—that the immigration program has stepped up considerably. The government is now attracting to this country a greater flow of immigrants than we have for some years, and in the face of very heavy competition, because most countries in the world until recently have been pretty thriving themselves. There are some areas that have slowed down now and we are able to get some of these people; but not enough, not nearly enough. We need more skilled people, and a lot of them, but we have been doing better in our immigration policy than in over some of the past few years to which I could refer.

Mr. HEES: Well it appears to me, Mr. Chairman, that maybe the government has been doing better but it is obvious from talking to businessmen all over the country that the shortage of skilled labour gets more acute now than it has ever been before, and considerably more acute than it was six months ago.

Mr. WINTERS: In some areas there is a shortage of unskilled labour.

Mr. HEES: Well, all right.

Mr. WINTERS: Take mines as an example. I know cases of mines that had to close down because they did not have enough people to man them.

The CHAIRMAN: Perhaps at some point in our proceedings we might have some evidence before us as to the trends in immigration of both skilled and unskilled labour.

Mr. ANDRAS: On this question of immigration that has been raised by Mr. Hees, one of the severe impediments has been the 1962-1963 government cut back drastically immigration promotion abroad and the facilities in the department had to be cut back very much. In 1963-64, vastly increased expenditures had been made in this area to build the department back up after the cut-back and this is reflected in tremendous increases in immigration inflow in recent years over the early sixties.

Mr. HEES: Well, I think the hon. member, Mr. Chairman, will agree that any policy which was wrong, wrongly carried out by the previous government, such as an immigration policy, can be reversed immediately; it can be changed in a very short space of time and this government has had three years to change that policy.

Mr. ANDRAS: Well, we might agree—

The CHAIRMAN: Order, please. I would like to try and keep the proceedings sufficiently orderly to permit each questioner to have a reasonable chance to put his question uninterrupted and I think we cannot be too strict about occasional interjections. I think a three way discussion goes beyond the limits of fairness to all concerned, so perhaps I can ask you to continue Mr. Hees?

Mr. WINTERS: Could we have Mr. Warren give this background information?

● (12.30 p.m.)

The CHAIRMAN: Yes.

Mr. WARREN: Mr. Chairman and Mr. Hees, I think it will be evident from what the Minister said in the passages in his opening comments addressed to the question of trade promotion that we are living now in an era of very sophisticated and very difficult international competition. This is particularly so in the area of trade in manufactured goods where the greatest relative growth has been in recent years. Accordingly, the department's policy with respect to trade promotion has not been a generalized one or a periodic one, but a continuing one in which our eyes and ears abroad are constantly identifying and bringing to the attention of the business community and the department actual opportunities for export as they are seen in those markets. This is not a question simply of saying that there is a market for a range of commodities which manufacturers in Canada make. It is a process of trying to identify much more carefully and much more accurately in the interest of efficiency, both in the time of the government and of the manufacturer, the precise areas where trade may expand, and it is this process which is continuous with us.

We have been trying to identify in the particular foreign markets the exact opportunities and focus our stimulating efforts at home on those companies who have the capacity or may have the capacity to manufacture the particular product. We have been using, in order to get this continuous process going, importantly the provincial departments and the trade associations in order to diffuse this information to the exact people who may have the capacity and the potential to take the benefit of the market. So it is a continuous process and it is not one in which we have a regular return bringing up to date the type of operation Mr. Hees referred to in his comments. It is one of continuing the whole process in a very focused and detailed way so that the kind of correspondence that you referred to, sir, is really the total correspondence of the department about trade promotional activities.

Mr. HEES: Well, Mr. Chairman, this is all very interesting, but I do know, and I have known it and I found it out not only at the time but in talking to businessmen since, that the information we sent out to every businessman in Canada giving him specific information where his product could be sold was of tremendous importance.

Mr. WINTERS: I think you might have missed a few, Mr. Hees.

Mr. HEES: There were very few that we missed. If I cannot have the general information of what was sent out since, I would like to have copies of the specific information which has been sent to all of the people that you have been dealing with. Is it every manufacturer? I believe that we got in 1961, for every manufacturer in Canada if he wanted to go after it. Now, I would like to see what has been sent since to every manufacturer giving him specific information about the products now which could be sold. There certainly must be lots of changes that have taken place between 1961 and 1966. For this reason, when our list was made the Canadian dollar was worth \$1.02 American, now it is worth 92½ cents. So our products have been made 10 per cent more competitive than they were five years ago in that alone. Also, as the Minister knows, costs in Europe particularly and all around the world have been going

up very rapidly, and my estimation is that around the world, particularly in Europe, for these reasons our products are anywhere from 10 per cent to 25 per cent more competitive than they were five years ago when the original survey was made. Well, they are certainly 10 per cent more because the dollar is worth 10 per cent more.

Mr. WINTERS: No, no. That advantage has been eroded. You have not got that advantage.

Mr. HEES: Well, unless it can be proven differently, Mr. Chairman, I say that at the moment your dollar is devalued by 10 per cent, your product is automatically 10 per cent more competitive.

Mr. WINTERS: There has been a considerable erosion in the meantime and when we are living in an economy in which we are importing more at a premium than we are exporting at an advantageous rate that differential tends to disappear.

Mr. HEES: Well, frankly, I cannot see how it does. I say that by lowering the value of the dollar by 10 per cent we may import into this country 10 per cent less competitive and export in the rest of the world 10 per cent more competitive, and unless something is changed in the meantime that differential remains.

Mr. WINTERS: No, it does not.

Mr. HEES: This is something, Mr. Chairman, on which the Minister and I will have to continue to disagree because it is a different kind of economics that he is talking about if he does not believe that this is so. Also, as I say, costs in Europe have been going up very fast and costs around the world have been going up pretty fast; they have been going up fast here, too, but they have not been going up any faster here than they have certainly in Europe, and I think they have been going up faster in Europe. But I would like to know what we have been doing to take the place of what was a very, very useful device to the businessmen of Canada five years ago, advising them what products could be sold to a much larger extent in particular areas of the world. Now with our products more competitive I would like to know what changes there have been, what we have found out as to products which were not mentioned in that report that now could be sold, according to our trade commissioners, what information was given to whom about it? I would like to have this whole picture explained. It has not been explained yet. It seems to me to be something that has just been glossed over because we did not decide to carry on the procedure which was very, very effective five years ago.

I would like to have it demonstrated to me what kind of information has gone on, to whom, how effective it has been, what are the products that were found to be saleable on the markets of the world that either were not manufactured in Canada at that time, or saleable in those markets. I think this is a very important part of the kind of program that we need now like we needed it in 1960 to increase our export drive, and I am not convinced that our export drive is the greatest that it could be any more than I was convinced in 1960, or at any time when I was minister. I always believed that we could be doing more and we brought in a number of different programs. I would like to know, as we go along now what new programs are being brought in. I am not

saying that our programs are the best, but I do say they were good at the time. I would like to know what we are doing instead of just carrying on in the normal business as usual procedure. I want to know what new programs you people have been bringing in.

Mr. WINTERS: Well, no program, I guess, should ever be regarded as the best in the world.

Mr. HEES: No, we never did. It was just something that worked and we thought we would try it and most of them worked.

Mr. WINTERS: That is right.

And we are concentrating a great deal of effort in exploring new markets, markets analysis, opening new trade commissioner's offices in the major markets of the world and we are spending a lot of time and effort in developing trade missions into these areas. I am not sure what is being done by the department in detail in getting blanket coverage of the Canadian businessman, but I am sure it must go in great depth, judging from the response I get from people who have been abroad and with some sponsorship from the department, the trade missions, and the great volume of mail I get from the business community asking questions, thanking the department for the services rendered. I think the cost flow of information between the department and the business community is good. That does not mean to say that there is not room for improvement; I do not know. I am sure there is. I am sure Mr. Warren would say there is. Maybe he would like to add to what I said just now.

Mr. WARREN: Obviously, there is always room for improvement and that improvement relates to a changing world, and one in which, as I have said, the demands become very competitive and very sophisticated. We have been searching those out and trying to bring them to the attention of the people who can actually fill those demands. There has been a more focused rather than a very broad shotgun type of approach. We would be very glad—

The CHAIRMAN: Have you finished your answer?

Mr. HEES: This would save time. Could I then get the names—just the names would give me the numbers—of the people, for instance, in any period that you want during the last three years, which the department has written to advising them of a new market where their particular products could be sold. I would like to see that. I may be completely wrong. I may find—I hope I do—knowing this to be an excellent department and first class people in it, that a job has been well done. I just want to know for my own information that it has been well done because I am very proud of this department. I think it is the best in the government and I just want to make sure that we are doing the very best job possible. If I could be advised of the names of the firms that have been advised of what products they could sell more of in what markets during the last twelve months, or any period you like, I would be very happy with that. Just so that I can satisfy in my own mind that we are carrying on what I consider to be a very good approach to this problem.

The CHAIRMAN: Mr. Hees, I think you are pursuing a very proper line of inquiry and a very useful one, but I am wondering if you are perhaps doing a

disservice to the manufacturers in question who may have felt they are dealing on a confidential basis with the Department. Perhaps the Department may not feel that way.

Mr. HEES: I do not want to impede the Department in any way. Just give me a list of numbers, one, two, three, four, five and in each case give me the date when it was sent out and the product, on what market they advised that particular company, without giving the specific information, the product could be sold more, and so on.

Mr. WINTERS: I think that all this foreign correspondence Mr. Hees is asking for we—part of the program we have advanced is more trade missions. We have more trade missions going abroad than we have ever had before.

Mr. HEES: How many do we have now?

Mr. WINTERS: Trade missions?

Mr. HEES: Yes.

Mr. FLETCHER: In the current fiscal year there will be 30.

Mr. HEES: In that case that is exactly four more than—I should say six more. You people had four in 1960. There were four in 1960. We carried on about that number. We jumped it up in 1961, I think it was, to 24, and then we increased it to 26. So jumping it up to 30 is not a mammoth increase. The big increase that the Minister has talked about does not really seem to be there. These missions are terrific; they are awfully good; that is why we increased them so quickly in the early sixties. But the jump to 30 is not spectacular.

The CHAIRMAN: Members of the Committee, may I make a suggestion I want to make clear. I think that Mr. Hees' line of inquiry is perfectly proper and a very useful one, but I felt that the Committee was in general agreement with my proposal that at this stage we deal with broad areas of policy and operation. I suggest we do have other specific votes, the trade commissioner service, for example, which would permit you to pursue this specifically. I want to make clear that I am not suggesting it is not a proper line of inquiry.

Mr. HEES: I could deal with item No. 1 later on at the next meeting.

The CHAIRMAN: It may be that the Minister may consult with his officials and see how he may appropriately comply with the request you made.

Mr. WINTERS: We will demonstrate to Mr. Hees that we are keeping the business community informed. It is a question of how much correspondence Mr. Hees wants to see, and review.

Mr. HEES: I do not want to read the letters. I just want to know the number of companies and the specific products and when the correspondence was carried on. It is very simple.

The CHAIRMAN: Perhaps, Mr. Hees, you might consider it would be appropriate to let the Minister consult as to how he can best comply with this request, and then you will have ample time to go into it in detail, perhaps, on vote 5, or at a later stage in vote 1.

May I make this suggestion to the Committee? I do not think we should try to follow rigid time limits, or anything of that sort; but in the committee of the

whole we generally proceed for about a half an hour for each person. I do not want to interrupt any line of questioning, if you are in the middle of it; but perhaps it might be a useful way of proceeding to have roughly that time period, not strictly speaking so-called, and we could then go along in several turns which would permit the members of all parties on the Committee to participate. Are you in the middle of a line of questioning?

Mr. HEES: No, no. I can stop. I will continue later on.

The CHAIRMAN: The next name on my list is Mr. Macdonald. I might say I wish the members of the Committee would indicate to me by putting up their hand and letting me know that they wish to participate in this first round of questioning. I might say we plan to adjourn at one o'clock, but we are of course continuing.

Mr. VALADE: Mr. Chairman, may I interrupt on a point of order: You just said that the Minister could not give certain information because of the confidential nature of the information which had been given to manufacturers on export or import products. Is there such a thing as confidential information which would not be of interest to any manufacturer or producer?

The CHAIRMAN: Mr. Valade, I want to make clear I did not make a formal ruling. I just suggested yesterday to the Committee that the way in which the question was phrased might contain that problem and it may be that those who wrote might find this to be of some difficulty. Now, I may not be correct in this and perhaps—

Mr. VALADE: You should make a clear statement in this, then.

Mr. WINTERS: Well, if it has anything to do with a competitive position and the manufacturer concerned wants it kept secret we will of course do that. But generally speaking when making a kind of blanket coverage that Mr. Hees referred to, that would not be secret information.

The CHAIRMAN: Thank you, Mr. Winters.

Mr. WINTERS: You did not make it confidential at the time, did you?

Mr. HEES: No, I am not out for any specific information about products or specific companies. I just want to know the extent to which this is being done at the present time to see if it compares at all with the kind of thing I had in mind and the kind of things we found very useful indeed.

The CHAIRMAN: Well, this could be taken into account when the Minister is preparing his further reply to your point. Thank you, Mr. Valade, for this clarification.

May I call upon you, Mr. Macdonald?

Mr. MACDONALD (*Rosedale*): Mr. Chairman, I would like to ask a number of questions in different areas. The first area would be with regard to the Kennedy round. You made reference to the agricultural settlement; that is, with regard to the external tariffs of the European economic community, and I gather that this settlement will trigger or make possible the continuation of negotiation in the Kennedy round on industrial products. I believe I am right in saying that under the General Agreement the European economic community received a waiver for formation. In that waiver was there any restriction or right to any of

the other contracting parties to seek compensation if the external tariffs on the whole were higher than the average had been before?

Mr. WINTERS: I do not know whether they received a waiver on that or not, have they?

Mr. WARREN: Mr. Chairman and Mr. Macdonald, the Article 24 of the General Agreement on Tariffs and Trade laid down a certain number of rules with respect to the creation of a common market or free trade area. The general notion of the article is that the surrounding barriers of the new entity should not be higher on the whole than the tariff that existed before. Certain rights were created in respect of tariffs that were bound to outside countries, and where the community tariff, as determined by their negotiations, would have been higher than existing rates into individual markets which form the community, such cases were the subject of compensatory negotiation under section 6 of Article 24, what took place before and within the Dillon round of tariff negotiations in 1959-60. Certain rights were carried forward into the existing negotiations.

There was never a final legal determination under Article 24 about the position of the European economic community vis-à-vis the other contracting parties, and the dialogue has continued.

Mr. MACDONALD (*Rosedale*): There is a suspicion that the general protective effect of the agricultural external tariff will now be higher than it was if one could take any previous average of the individual countries. Have you had any opportunity to confirm that?

Mr. WARREN: There is an entirely different system, sir, now, surrounding most of the agricultural production and protective mechanisms in the community. This is a system not of a fixed tariff, but is a variable levy which in its simplest form brings the offered price of the commodity you wish to sell to the community up to the level of the domestic price; so the area of price competition is limited by this device.

Mr. MACDONALD (*Rosedale*): I would gather, for example, the German market will become more difficult for Canadian agricultural products as a result of the settlement; is that not correct?

Mr. WARREN: It depends.

Mr. MACDONALD (*Rosedale*): The Germans will have to pay a penalty to the rest of the community and therefore it depends. It is a different set-up to buy Canadian products.

Mr. WARREN: It is a little bit more complex than that. Most of the countries in the European economic community, less so the case of the Low Countries and Germany, had behind the original agricultural tariffs a great variety of mechanisms and restrictions which related their own agricultural production to the play of international competitive forces. Most of these particular protective devices, under the rules of European economic community, are to disappear and be replaced by the single device of the levy at the frontier and the related mechanisms. So, if you are talking to the European economic community across the table, they would say that in their view the new system was not more restrictive. If you are talking to those who are trying to sell into the communi-

ty, if your chances to compete through price are limited by a variable levy you do feel that the barriers have been increased against you.

Mr. MACDONALD (*Rosedale*): Will we have the right to go back in the framework of the contracting parties to seek compensating advantages if it is our view that there have been on the whole an increase in protection?

Mr. WARREN: Most of the settlement was reached during the course of the Dillon round. In respect of cereals; we have carried forward our negotiating rights into the current discussions on cereals within the context of the Kennedy round.

Mr. MACDONALD (*Rosedale*): Have the suggested concessions which Canada tabled in November, 1964, in the Kennedy round been made public? Is that in the public area?

Mr. WARREN: Those are confidential to the negotiations.

Mr. MACDONALD (*Rosedale*): Incidentally, was there tabled at the same time a table of requested concessions as opposed to those that we are prepared to give on industrial products?

Mr. WARREN: That was the traditional form of preliminaries to tariff negotiation in previous international multilateral negotiations. In the current round of negotiations, after a good deal of pre-negotiation, the chief industrial countries, particularly the United States, E.E.C., Great Britain and Japan, agreed to approach these negotiations through the notion of a linear cut which would be across the board tariff cut, with exceptions in the national interest. So this is what was on offer from them. Industrial countries not participating on that basis have simply tabled offers which they anticipate would be equivalent by way of benefit to the foreign trade partner, to the anticipated benefit of the negotiations to them. So that we do not have requests as such, although I am sure that in the negotiations between countries in Geneva our trading partners are not modest in telling us what it is that they want.

Mr. MACDONALD (*Rosedale*): Under the general agreement, have you had the opportunity of forming an opinion whether any of the British budget changes involve an export subsidy in the terms of the general agreement?

Mr. WARREN: We have not had a chance to see how that will work out yet, sir.

Mr. MACDONALD (*Rosedale*): With regard to the European economic community, are any of the representatives of Canada in Brussels accorded any kind of an official status with any of the agencies, either EURATOM, the steel and coal community or the community itself. Is there any recognition of their position there?

Mr. WARREN: Yes, sir. I think we would have to confirm this to you, if we may, as to the exact style and titles, but our ambassador in Brussels is accredited to the Community.

Mr. MACDONALD (*Rosedale*): Maybe I could find out from my own department.

Mr. WARREN: I think you will find that all the information is there, sir.

Mr. MACDONALD (*Rosedale*): With regard to the United States, what is the current status of administrative protection by the American authorities? I believe there has been a certain amount of heartburn in the past. How does it stand at the moment?

Mr. WARREN: Each country has, out of its economic history, developed a number of rules and regulations having to do not only with the level of the tariff in the protection of different elements in their economy but also various procedures and regulations bearing on the movement of goods across the frontier, for example customs valuation, anti-dumping rules, and so on. For the first time, and on a broad basis during the Kennedy round the trading countries have agreed to negotiate about what are called their non-tariff as well as their tariff barriers to trade. These include the forms of administration of the rules as well as the actual non-tariff restrictions on trade. So each country is open to discussion of its particular barriers, and we of course have a pretty complete knowledge of those that affect our trading in the United States. We are hoping, and all the countries are hoping that progress will be made in this area during the course of the Kennedy round. But, it is an extremely difficult area as you can imagine, involving the various types of administration and devices of the many countries that are negotiating.

Mr. MACDONALD (*Rosedale*): Have we not all assumed obligations under the general agreement not to use administrative devices for protection?

Mr. WARREN: We have agreed under the general agreement to give each other national treatment and not to discriminate but that of itself does not abolish an agricultural regulation that says, for example, that apples must only be sold in boxes of a certain kind.

Mr. MACDONALD (*Rosedale*): That is accepted under the existing legislation provision as protocol? The reason for not changing administrative protection, is that protected by the existing legislation exception?

Mr. WARREN: Certain provisions that a country has that were in existence, mandatory legislation, are not interfered with by the protocol of provisional application of the General Agreement on Tariffs and Trade. But, as I said to you, at the moment it is open to carry on a formal discussion and negotiation with each of your trading partners about the particular rules or administrative practices that you feel are an impediment to the free flow of trade.

Mr. MACDONALD (*Rosedale*): Do you get a pretty good flow of information from Canadian exporters on the problems they run into when they face an American port of entry, for example?

Mr. WARREN: We most certainly do, sir.

Mr. MACDONALD (*Rosedale*): That probably is an understatement on my part. Is it?

With regard to state trading nations, the Minister mentioned the increase in export to them. As I understand it, one of the problems on further increase of export, particularly industrial products, to those countries, is that they in turn have been seeking greater access to the Canadian market, and in turn we have been faced with the problem because we cannot guarantee them sales in essentially a free market economy. Has there been any program or attempt within the

department to try and assist state trading nations to find a place, shall we say, in the sun on the Canadian market. Do you regard any obligation on this part?

Mr. WARREN: I would not say that there is a program as such, but we of course in the Trade and Commerce Department are very much aware of, and indeed the state trading countries with whom we trade continually bring to our attention, the imbalance in trade in our favour, which incidentally is, of course, largely accounted for by their need for wheat and our sales of wheat to them. If you excluded the wheat it is not nearly as imbalanced a trade, and it is a very small element of trade so far. We are bound, of course, in our relations with our trading partners by the principle of the most favoured nation, so that we would not be in a position to give special concessions to state trading countries which were not available to sellers from others of our trading partners. However, having said that, the department has tried to be as helpful as it can be to the new representatives of these countries in Canada, who are trying to find out how one does business in Canada, what sort of agency arrangements are usually made, what are the sort of areas, who they might call on and so on. In general we try to help them in understanding how you sell in a market economy.

The CHAIRMAN: Mr. Warren, if I may interrupt now, we contemplated adjourning at one o'clock and it is just about one o'clock now. It seems like a convenient time to do so. I want to inform the Committee that unless you are advised otherwise we propose having our next meeting on Tuesday, May 24, at 11 o'clock. You will get the usual notice, and we will be proceeding with the study of the estimates.

NOTE: The end of the meeting, including a question by Mr. Valade answered by Mr. Duffett, was not recorded.

APPENDIX "A"

LETTER TO FOREIGN-OWNED COMPANIES

On March 31st the Minister of Trade and Commerce wrote to subsidiaries of foreign parents and other companies largely foreign-owned setting forth some guiding principles of good corporate behaviour in Canada. He indicated that large and medium-sized companies would be asked to provide information, on a confidential basis, relating to certain aspects of their operations and financing. I write now to ask your co-operation in this regard. Two questionnaires are enclosed which I would be grateful if you would complete and return.

Form A, to be filled in for annual periods commencing with the company fiscal year ending closest to December 31st, 1964, seeks operational information such as sales, expenses and profits divided between certain types of foreign and domestic transactions and is intended primarily to help evaluate the economic contribution of foreign-owned companies to Canadian development. Data of this kind will contribute to a fuller understanding of the role of subsidiaries of foreign companies in the Canadian economy.

Form B, to be completed for quarterly periods commencing with the fiscal quarter ending between October 1st and December 31st, 1964 inclusive, is designed to provide information on changes in patterns of financing and, in particular, on any significant shift between domestic and foreign sources of financing. In addition to the selected financial data requested in this questionnaire, companies are also asked to submit a copy of the "Quarterly Survey, Financial Statistics" return sent to the Business Finance Division of the Dominion Bureau of Statistics, or alternately, to grant permission to obtain a copy of the return from the Business Finance Division. We have been anxious to limit the burden of the provision of information by companies and your co-operation with respect to the release of the Quarterly Survey return, will contribute to this end.

This survey is being conducted for the Department of Trade and Commerce by a special statistical unit established for this purpose in the Corporations and Labour Unions Returns Act Administration. Individual company returns will remain in the custody of this statistical unit, where they will be analyzed to assess developments pertaining to particular companies and industry groups.

It is intended that individual company information be available, on a limited basis, to this Department and also to the Departments of Finance and Industry and to the Bank of Canada in dealing with matters of concern to them relating to points covered in the guiding principles. Such information will be available only to certain authorized officials in the Bank and the above Departments and they will be under obligation to maintain its confidentiality.

I would appreciate your assistance in arranging for the prompt completion and return of this questionnaire. As indicated, the primary aim of this survey is to obtain quantitative information indicating your company's role and performance in the Canadian community. Accordingly, do not hesitate to give any complementary information likely to contribute to a fuller understanding of your company's operations. It is possible also that the Department may wish to obtain further elaboration of the information provided.

It is, in fact, the Minister's hope that this survey will create an avenue for useful two-way communication between foreign-owned companies and government.

Yours sincerely,
Deputy Minister.

Encl.

DEPARTMENT OF TRADE AND COMMERCE

SELECTED INFORMATION ON COMPANIES IN CANADA
WHOLLY OR LARGELY FOREIGN-OWNED

(The information requested in this return will be used primarily within the collecting agency to analyze company and industry trends but on occasion it may be used, on a limited basis, by the Departments of Trade and Commerce, Finance and Industry and by the Bank of Canada in dealing with matters of concern to them relating to points covered in the guiding principles. Such information will be available only to certain authorized officials in the Bank and the above Departments and they will be under obligation to maintain its confidentiality.)

NAME OF COMPANY
MAILING ADDRESS
ADDRESS OF PRINCIPAL OFFICE IN CANADA—If same as above check ().
.....
NAME OF PARENT
COUNTRY OF INCORPORATION OF PARENT
.....

If possible please consolidate with accounts of all Canadian subsidiaries and attach list of names of such subsidiaries or if list is unchanged from previous report check ().

If you have any Canadian subsidiaries whose assets exceeded \$1 million at the latest fiscal year end and which are not covered in this report, please attach list.

Any queries in regard to these forms should be directed to the Corporation and Labour Unions Returns Act Administration, Ottawa.

Mr. D. A. Traquair—Administrator—Phone 992-7450
or

Mr. F. I. McNeil—Phone 992-1850

COMPLETED RETURNS SHOULD BE SENT TO:

The Corporation and Labour
Union Returns Act
Administration,
c/o Dominion Statistician,
Ottawa, Ontario.

NAME AND POSITION OF OFFICER RESPONSIBLE FOR THIS RETURN:

.....
Signature:
Date:

FORM A.—SELECTED ANNUAL INFORMATION ON OPERATIONS OF FOREIGN-OWNED COMPANIES IN CANADA

FOR FISCAL YEAR ENDING _____
Month Year

(Express All Amounts in Thousands of Canadian Dollars)

	Sources of Income of Reporting Company					
	Parent Subsidiaries and Affiliates		All Other Non-Residents		Canada	Total
	U.S.A.	Other Foreign Countries	U.S.A.	Other Foreign Countries		
INCOME:						
1. Sales of Merchandise.....						
2. Dividends.....						
3. Interest.....						
4. Royalties.....						
5. Management and Administration Fees.....						
6. Rent on Property and Equipment. .						
7. Scientific Research and Develop- ment.....						
8. Balance of Other Income.....						
9. Total Income.....						

	Geographical Allocation of Expenses and Other Items of the Reporting Company				
	Parent Subsidiaries and Affiliates		All Other Non-Residents		Canada
	U.S.A.	Other Foreign Countries	U.S.A.	Other Foreign Countries	
EXPENSES:					
1. Purchase of Merchandise.....					
(a) Materials & Components.....					
(b) Goods for Re-Sale.....					
2. Salaries & Wages.....					
3. Interest.....					
4. Royalties.....					
5. Management, Administrative & Directors Fees.....					
6. Rent on Property & Equipment....					
7. Scientific Research & Development.					
8. Other Expenses Including Balance of Cost of Sales.....					
9. Provision for Depreciation, Deple- tion & Amortization.....					
10. Provision for Income Tax.....					
11. Additions to other Provisions or Reserves Charged to Expenses....					
12. Total Expenses.....					
13. Net Profit.....					
OTHER ITEMS:					
14. Dividends Declared.....					
15. Capital Purchases of Machinery & Equipment from.....					

INSTRUCTIONS

ANNUAL RETURN

I. General

- (a) Please complete separate return for the company fiscal years ending closest to December 31st, 1964 and December 31st, 1965. Forms will be sent for subsequent fiscal years in due course.
- (b) The initial reports should be submitted within 30 days of the receipt of this request and subsequent reports within 60 days of your fiscal year-end.
- (c) It is hoped that most of the information requested can be readily provided within your existing accounting framework. If this is not the case please either provide your best estimate or aggregate items when necessary.

II. Specific

- (a) *Sales of merchandise* should be at the valuation shown in the company accounts. In the case of sales to non-residents include both sales made directly and those made through an agent or broker. Sales to non-residents should include both goods produced or processed in Canada and those items re-exported that had previously been imported in the same form.
- (b) *Royalties*—Include copyrights, patents and all similar items.
- (c) *Scientific Research and Development*—Include scientific research, product and process development research and also any salaries and wages incurred for these purposes.
- (d) *Purchase of Merchandise* should be at the valuation shown in the company accounts. If at all possible these should show separately materials and components and goods for re-sale if this is not possible the two items may be aggregated. Purchases from non-residents should include items purchased through a broker or dealer as well as those purchased directly.

III. Comments

Please attach comments on any unusual transactions during the period that would assist in interpreting this report.

FOR FISCAL QUARTER ENDING _____
Month Year

(Express All Amounts in Thousands of Canadian Dollars)

	Geographical Allocation			
	U.S.A.	Other Foreign Countries	Canada	Total
1. SELECTED ASSETS:—Investments in and claims on Parent, Subsidiary or Affiliated Companies...				
(a) Investments in shares.....				
(b) Advances.....				
(c) Other Investments.....				
(d) Other receivables or amounts due.....				

	Geographical Allocation of Liabilities and Capital Items of the Reporting Company			
	U.S.A.	Other Foreign Countries	Canada (including nominess)	Total
2. LIABILITIES:				
(a) Canadian chartered bank loans (including foreign branches and agencies).....				
—Canadian Dollars.....				
—Foreign currency.....				
(b) Foreign bank loans.....				
(c) All debt owing to parent, subsidiary and affiliated companies including trade and other payables, bonds, debentures, notes, short and long term debt.....				
(d) Debt owing to others:				
(i) Short term loans*—				
Canadian Dollars.....				
Foreign Currencies.....				
(ii) Bonds and debentures**—				
Canadian Dollars.....				
Foreign Currencies.....				
(iii) Other long term debt**—				
Canadian Dollars.....				
Foreign Currencies.....				
3. PAID-IN CAPITAL:				
(a) Held by parent, subsidiary or affiliated companies.....				
(b) Held by others.....				
4. DIVIDENDS PAID:				
(a) To parent, subsidiary or affiliated company...				
Amount of the above credited to investment, trade or other account.....				
(b) To Others.....				

* Include bankers' acceptances and all other paper having an original term one year or less.

** Debt with an original maturity of more than one year. Include amounts coming due in less than one year.

INSTRUCTIONS
QUARTERLY RETURN

1. A separate report should be submitted for each quarter beginning with the fourth quarter of 1964 i.e. the fiscal quarter ending between October 1 and December 31, 1964 and for each subsequent quarter.

2. The initial reports up to and including the first quarter of 1966 should be submitted within 30 days of the receipt of this request and subsequent returns within 30 days of the end of the period concerned.

3. Please attach a copy of the "Quarterly Survey, Financial Statements", for the fourth quarter 1964, and each subsequent quarter sent to the Business Finance Division of the Dominion Bureau of Statistics or alternatively would you please sign the following authorization.

I authorize the Dominion Bureau of Statistics to release to the Department of Trade and Commerce, for purposes outlined in this questionnaire, copies of the Quarterly Survey, Financial Statements beginning with the fourth quarter of 1964 and for subsequent quarters until I further advise you in writing.

Signature of Authorizing Officer	Position	Date
----------------------------------	----------	------

4. Please explain the nature of any special transactions, or change in dividend policy accounting practices or corporate structure that would aid in the interpretation of this report.

**OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE**

This edition contains the English deliberations
and/or a translation into English of the French.

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

TUESDAY, MAY 24, 1966

Respecting

Estimates of the Department of Trade and Commerce, 1966-67

WITNESSES:

The Hon. Robert H. Winters, Minister of Trade and Commerce; Mr. J. C. Cantin, Parliamentary Secretary to the Minister; *From the Department of Trade and Commerce:* Messrs. T. R. G. Fletcher, Assistant Deputy Minister; R. E. Latimer, Director, Office of Trade Relations; V. J. Macklin, Director, Economics Branch.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,	Comtois,	Lewis,
Basford,	Flemmings,	Macdonald (<i>Rosedale</i>),
Cameron (<i>Nanaimo-</i>	Grégoire,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Hees,	Monteith,
Cashin,	Irvine,	More (<i>Regina City</i>),
Chrétien,	Lambert,	Munro,
Clermont,	Lamontagne,	Stafford,
Coates,	Leboe,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, May 24, 1966.

(11)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.10 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Basford, Cameron (Nanaimo-Cowichan-The Islands), Cashin, Clermont, Gray, Irvine, Lambert, Macdonald (Rosedale), Monteith, More (Regina City), Munro (11).

Also present: Mr. Whelan, M.P.

In attendance: The Hon. Robert H. Winters, Minister of Trade and Commerce; Mr. J. C. Cantin, Parliamentary Secretary to the Minister of Trade and Commerce; *From the Department of Trade and Commerce:* Messrs. T. R. G. Fletcher, Assistant Deputy Minister; R. E. Latimer, Director, Office of Trade Relations; V. J. Macklin, Director, Economics Branch; L. J. Rodger, Comptroller-Secretary; L. L. Marks, Chief, Financial Services Division.

The Committee resumed consideration of Item 1 of the Estimates of the Department of Trade and Commerce, 1966-67.

Copies of tables provided by the Dominion Statistician in answer to a question by Mr. Valade at the last meeting regarding exports and imports of raw materials and finished goods were distributed to the members.

The Minister was questioned and was assisted in answering questions by Messrs. Fletcher and Latimer.

At 12.50 p.m. the Committee adjourned until 3.45 p.m. this day.

AFTERNOON SITTING

(12)

The Committee resumed at 3.50 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Cameron (Nanaimo-Cowichan-The Islands), Cashin, Chrétien, Clermont, Gray, Irvine, Laflamme, Lambert, Macdonald (Rosedale), Monteith, More (Regina City), Munro (12).

In attendance: The same as at the morning sitting.

The members resumed questioning of the Minister, who was assisted by Messrs. Fletcher and Macklin.

The Minister withdrew, subject to recall.

On motion of Mr. Clermont, seconded by Mr. Cameron (Nanaimo-Cowichan-The Islands),

Resolved,—That the tables regarding exports and imports of raw materials and finished goods, distributed at the morning sitting, be incorporated as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix B*).

Mr. Fletcher read a prepared statement on export promotion efforts in answer to a question by Mr. Hees at the last meeting, and was questioned.

The Chairman directed the Clerk to distribute copies of Mr. Fletcher's statement and the annexes thereto to members of the Committee.

Item 1 was allowed to stand.

The Chairman called Item 5:

Trade Commissioner Service,—Administration, Operation and Maintenance—\$8,179,000.

Mr. Cantin was questioned and Item 5 was carried.

The Chairman called Item 10:

Exhibitions Branch—\$3,932,200.

Mr. Fletcher was questioned and Item 10 was carried.

At 5.25 p.m. the Committee adjourned until Thursday, May 26, 1966, at 3.30 p.m.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, May 24, 1966.

● (11.15 a.m.)

The CHAIRMAN: Ladies and gentlemen, I would now like to call this meeting to order. We are continuing our general discussion on Item 1. I believe when we adjourned last week, Don Macdonald was asking some questions. I believe his questioning was completed and unless the Minister has some general comments arising out of the discussion last week, I would like to call on the next names on the list. Before I do so, Mr. Valade asked for certain tables giving details of certain export and import of manufactured and raw materials. These tables have been presented to us by the Dominion Statistician, and I would like to ask the clerk to have them distributed to Members and if it is the desire of the members I will entertain a motion to have them incorporated in the official records, if that is the desire. Otherwise, they will be merely added to the records of the Committee. Miss Ballantyne would you have them distributed. The next name I have on my list—and we agreed as you recall to continue with our list from the last meeting—is Mr. Munro.

Mr. MUNRO: Mr. Chairman, I wanted to ask the Minister just a few questions on his statement; First, particularly pertaining to this trade with United States. I would like to commend the Minister because I am concerned, and I know many are, as he is, over the trade deficit we have with the United States. I think it is indicated here to be almost \$2 billion for the year 1965. Am I correct in that? That is a trade deficit of \$1 billion and an invisible deficit such as servicing and repayment of debt and dividends \$900 million. Indicative of the Minister's concern, he wrote that letter of March 19 setting out certain guidelines for corporate behaviour of Canadian subsidiaries of American corporation. I notice in this copy we have shown the forms. There is no great detail in this copy sent to us outlining the forms. This is a follow-up letter from the Deputy Minister. But the Minister's letter itself is not there, and I would ask him if there is some particular reason why that letter to the American subsidiaries is not here.

Mr. WINTERS: It was tabled in the House of Commons at the time it was dispatched. I did not think it was necessary at this time; it could easily be tabled. It is a public document now.

Mr. MUNRO: I was wondering, the Minister could indicate what type of response he got to that letter to these subsidiaries.

Mr. WINTERS: I would be glad to, Mr. Munro. The response has been invariably good. I think it is safe to say that the letter was welcomed. It gave the American subsidiaries an opportunity to understand what was required of

them. It was the first time the rules of the game had been spelled out in that way, and also it was helpful to them in many instances in conducting themselves vis-à-vis their own parent companies. On the whole, it has been well received, as I say. I believe it is fair to say it was welcomed, and we have had no adverse replies at all.

Mr. MUNRO: And as far as the forms are concerned that they are asked to fill out and file—the response from that—

Mr. WINTERS: Those letters are just in the process now. I guess they are in the mail at the moment. They have not been received. But the letter was developed in part with the heads of a great many of the foreign subsidiaries in Canada, so they are well aware of the sort of information we are going to ask them to provide over a periodic basis. The only views they expressed on it, were that some of the information is of a confidential nature and they ask that the confidentiality of it be respected. We said we would do that. Their only fear is that some of the foreign subsidiaries will be asked to make public information which is not made available by their competitors, and this, of course, would be harmful to them. We assured them that no such thing would happen.

Mr. MUNRO: Mr. Chairman, I noticed the Minister referred to the famous American guidelines from the American government to American corporations with subsidiaries abroad concerning their policies of borrowing capital in the particular country where their subsidiaries are located, encouraging them to increase their exports and also, encourage the payment of dividends and other earnings back to the parent corporation. The Minister referred to the fact that representations were made to the American government because of Canada's concern about how the policies would affect Canada with so many American owned companies here. I wonder if the Minister would be good enough to enlarge on the attitude of the American government as far as Canadian representations are concerned to ensure that these guidelines that were set out will not apply to Canadian subsidiaries of American corporations.

Mr. WINTERS: The Americans were very receptive to our representations. We presented them in a rather determined way because we were concerned about the impact of the guidelines. Certain statements in a speech made by Mr. Fowler at the time of the guidelines were misrepresented, as sometimes is the case, and they were construed to mean that the American government used foreign subsidiaries as an instrument of foreign policy; whereas they did not mean that at all. They simply meant that the American subsidiaries abroad were citizens of a country in which they lived, and they wanted them to reflect the best of the United States in the country in which they lived. It was not meant in that way at all. This gave it an importance beyond what was intended in that regard; so the Americans were very anxious that this thing be put and see in its proper context, and they were more than willing to help do that.

Mr. MUNROE: Is it fair to say then that we have certainly received all sorts of assurances?

Mr. WINTERS: Yes, we have. We have, Mr. Munro.

Mr. MUNRO: Mr. Chairman, it has been said that companies such as International Nickel export all their raw material nickel to the United States and do very little fabricating, if any, in Canada. I am wondering about policies such as this by companies resident in Canada, whether the Minister or his Department are considering any policies to encourage these companies to do more of their fabricating here in Canada.

Mr. WINTERS: International Nickel Company, of course, is a Canadian Company, as you know, in all respects; it is not a subsidiary of a foreign company, so it does not fall in this category of the people we had in mind when we issued the guidelines. They are moving toward more fabrication in this country. They have made certain agreements with—I think, for example, they made an agreement with the T. Eaton Company respecting the sale of appliances. They have a good working arrangement with the Atlas Steel Company, which is a company I had some association with, to use and further the interest of stainless steel, and it was going very well. In their advertising programs they push nickel products. They do not sell entirely in the United States. I know you did not mean that. They sell nickel elsewhere in the world. In fact, they have not enough to sell now. There is a shortage of nickel. It is very hard for them to supply all their customers.

Mr. MUNRO: Do you feel that with respect to companies like this, irrespective of whether they are Canadian owned or American owned, that they have shown a pattern in history of not doing too much of their fabricating in Canada, anything can be done to encourage them to do so?

Mr. WINTERS: Yes, I think so. And I think we are doing that. All these companies are moving more in the direction of processing of their materials. It is related to market; it is related to the amount of money you have to spend to get into the business of processing, but nearly every company I know is moving in that direction, a sort of integration in the processing of its material.

The CHAIRMAN: May I just say something, Mr. Winters, at this point. I do not think that we should launch the practice of a lengthy series of supplementaries, so as to give the fair opportunity to all members of the Committee to ask questions. I will not certainly object to one or two questions but I think that in fairness to the others, I should continue as I have done in the past.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I follow right on the line of Mr. Munro's questions and Mr. Winters' answers. You told us Mr. Winters that there had been a misunderstanding about Mr. Fowler's guidelines. Was there any misunderstanding about the guidelines with regard to Canadian subsidiaries of American companies purchasing materials in the United States wherever possible?

Mr. WINTERS: It was a misunderstanding related largely to the suggestion that American subsidiaries were to be an instrument of foreign policy by the United States government. That was never intended, and this gave rise to a lot of conjecture as to how far they wanted these guidelines to go. The factual information set out in a letter as to the application of the guidelines was clear and well understood. It did bear on the purchasing policies and the repatriation of capital and dividends; but the Americans

assured us when we made representations to them that they would ask their subsidiaries to do no more than follow a normal course in their purchasing policies and their repatriation of funds and other aspects of their operations. They went so far as to say that if any of the American companies concerned misunderstood that they would get in touch with them themselves and make sure that it was clearly understood beyond any reasonable doubt. We have no reason to believe that the subsidiaries in Canada are not conducting themselves in that way, in a normal business-like way.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What is the definition of normal, Mr. Winters? Was it what they practised in the past?

Mr. WINTERS: Yes. What was their practice in the past. That is what we are going to try to do now with this letter that is coming out, to observe the trends.

Mr. LAMBERT: A supplementary right on this point.

Mr. WINTERS: Yes.

Mr. LAMBERT: With regard to these guideline, you have spoken entirely about American reaction. What about United Kingdom reaction, French and German, who have substantial interests?

Mr. WINTERS: Exactly. That is right, Mr. Lambert. We had into Ottawa for discussions about the same number of subsidiaries from Europe as we had from the United States and the reaction was just about the same.

Mr. LAMBERT: Their governments have not been engaging in this sort of, shall we say, guideline.

Mr. WINTERS: No. But they have had restrictions which in many instances were more severe than the American guidelines. You know as well as any of us do, the British control on offshore capital now, and these are not matters of guidelines; they are just facts of like that a country like the U.K. has to live with. I think it was in the budget about two years ago, when they asked the companies not to engage in programs which would require a large expenditures of sterling and this gave rise to crises elsewhere in the financial world, but the Americans are not the only ones that have adverse balance of payments, and that is what gave rise to these crises.

Mr. MORE (*Regina City*): A short supplementary Mr. Chairman. You spoke of confidentiality being respected; is this greater than that given by the American government, because often we can get information from the American reports that are not available in Canada.

Mr. WINTERS: Yes. Well, a lot of these companies do not publish reports at all. And we are asking them to supply to us information which they do not make public now.

Mr. MORE (*Regina City*): Well, do they make it public in the States?

Mr. WINTERS: Their parent companies do, often on a consolidated basis, but not in respect of the particular subsidiary.

The CHAIRMAN: You have one brief supplementary on this one general point?

Mr. CASHIN: No. I just wanted to indicate that I had some questions to ask.

THE CHAIRMAN: Oh, yes. The next name on my list, and this is the last name continuing from our previous meeting is Mr. Clermont.

Mr. CLERMONT: Mr. Minister, in your report you said that commodity trade problems of scarcity of supply recently re-appeared. Is this a temporary problem or will it last for a long time?

Mr. WINTERS: Well, in some cases I think it will last for a long time because world demand is building up, and in many of these problems we are dealing with a resource that is a wasting resource. The world forecasts for nickel, for example, are going to tax the producers to meet, and the producing companies are very busily engaged in very expensive exploration programs all over the world, to try to support the forecast of demand. I would think that copper, for example, would be more temporary in character. There is a great demand for it now which has pushed the price up to a very high level. I would say generally that world demand is on the increase; and while some of the present shortages are temporary, I think the situation in hides and skins, for example, that we are experiencing now is apt to be temporary, but some of the shortages will be felt for a long time to come.

Mr. CLERMONT: I appreciate that certain commodities will be scarce for a long time. What is industry and the government doing about it?

Mr. WINTERS: Well, in nickel, as I said every mining company I know is out prospecting for nickel, and the International Nickel Company which is pre-eminent in this field, Falconbridge, Sherritt-Gordon, are exploring, and spending a tremendous amount of money. They are finding nickel. It takes a long time, and a lot of money to bring these ore bodies into production, but the world demand is just expanding now faster than world supply. Future reserves are a matter of some concern, although not grave concern at the moment. In the field of copper, I believe, that world supply and demand are pretty well in balance now; it is a matter of distribution, because we have had difficulties and strikes in Chile and in Zambia. We have the situation in southern Rhodesia, and these things brought world distribution problems. Supply and demand I think are in pretty good balance and there is more coming into production all the time now.

Mr. CLERMONT: The government is sending specialists abroad to make market studies of highly engineered products and to investigate projects requiring capital equipment. My question is this. Is information brought back by these specialists made available to the Canadian industry, on request or without request?

Mr. WINTERS: Both ways. We send the missions abroad and we have our trade commissioner service in some 47 countries, I think it is, around the world, and they supply on request. Occasionally when we send missions abroad, as has been the practice of all governments, the reports are prepared and they distribute them; they are made available. So we do both. We make it available on request and we make it available through general distribution.

Mr. CLERMONT: Mr. Minister, you just mentioned that the government is sending a trade mission abroad. In your report you mentioned that later this year, Canadian Economic mission will be sent to France. What is the difference between an economic mission and a trade mission?

Mr. WINTERS: This is more than a trade mission. It is to try to strengthen the economic relations between the two countries in the field of trade and investments opportunities, and so on. This is not a mission of people concerned directly in trade. It includes high level businessmen. It is being done at the invitation of the French government, with the full support of the Canadian government, a sort of government to government arrangement, and it has more government support and recognition than the normal trade mission. This is what we call a "high level" mission.

Mr. CLERMONT: How are members for this mission selected?

Mr. WINTERS: How are they selected?

Mr. CLERMONT: Yes. For instance, I think it was in 1964 or 1965, a furniture mission was sent to the United States. Are these members selected because they are presidents of a furniture company, or because they are specialists in their field?

Mr. WINTERS: This mission is selected to give a representation across Canada and in the field in which we are concerned. For example, we try to get an outstanding banker, and we have invited Mr. Leo McKinnon, the Chairman and Chief Executive Officer of the Canadian Imperial Bank of Commerce, and he has accepted. We have invited the Chairman of the Canadian Textile Institute, I think his proper title is Dr. François Cleyn, of Quebec, and he has accepted. We have invited an outstanding economist from the University, because we are trying to integrate the brains of the university into the government of Canada, and we have invited an outstanding economist from Laval University. We have invited a man who has demonstrated a great deal of interest in the world of investment affairs, Mr. Max Bell from Calgary. We have invited a man from the utilities area, who might be interested in the tidal power developments in France where they have pioneered in this field, and we have an interest in this in the Maritime area, so we have invited the head of the New Brunswick Power Commission to go and he has accepted. That is the sort of thing. I could go through the whole list, but that is the way we select them.

Mr. CLERMONT: But will the members of these trade missions have preference in information over the other members of their industry?

Mr. WINTERS: No, no, a report will be prepared and made generally available to the public.

(Translation)

Mr. CLERMONT: Mr. Minister, will the new agreements that were recently signed by the European Common Market of the six as regard to agricultural produce, affect our future sales in these countries?

(English)

Mr. WINTERS: It is very hard to tell. When I was in Paris earlier this year I had some discussions with the French Minister of Agriculture on our trade in agricultural products and we were undertaking to try to eliminate some of the barriers to trade there. If the United Kingdom goes into the Common Market, and nobody knows yet whether they will, but it does look as though they are interested now and that the Market is interested in having them, it will be on the basis that they will use their best endeavours to protect the Commonwealth interest. In such dislocations as follow important steps like this somebody is bound to suffer; there are pluses and minuses, and although their decision will be one for the U.K. and the U.K. alone, we will have to try to protect the Canadian trade interests as much as we can.

Mr. CLERMONT: What I have in mind is that in the last few months, a new understanding was signed in E.E.C. among themselves on farm products. Say, for instance, how will it affect our wheat sales to Germany, because France is an exporter of wheat.

Mr. WINTERS: I am not sure yet how it will affect us. We have an International Wheat Agreement which I think would perhaps override any other agreement which is being contemplated at the present time. But in the field of agriculture, the E.E.C. now will go to the bargaining table at Geneva, and we will have to wait and see what form the bargaining takes.

Mr. CLERMONT: They will go to that meeting as one?

Mr. WINTERS: They will go to the meeting as one. They have to make up their minds first of what they want to do as a common market area, and then they will go to the bargaining table at Geneva.

Mr. CLERMONT: Mr. Chairman, my last question is this. No doubt, Mr. Winters, there is close co-operation and collaboration between your department and the Department of Industry, about new methods, new techniques, and new equipment in the world out by our trade commissioners. Do you make it available to our industries?

Mr. WINTERS: We work together very closely. On this high level mission, for example, although it was assembled jointly by a committee of officials, mostly as a result of an invitation I extended to them and we are financing it, it is going to be led by the Minister of Industry and Mr. Cantin, the Parliamentary Secretary. Officials of the Department of Trade and Commerce are going along too, including the deputy minister of the Department of Trade and Commerce. We work very closely.

Mr. IRVINE: Mr. Chairman, I would like to ask first of all a question which perhaps is rather juvenile. On page 462 of the estimates just at the end of Vote 1 there is a total for 1965-66 (estimated) of \$5,647,000. Now in the right hand column there is a figure of \$5,664,700. Is the difference in those two figures made up in supplementary estimates, or is there a difference in the figures?

Mr. WINTERS: Sir, do you mind if I ask Mr. Fletcher to answer? You are reading from these two columns 1966-67 and 1965-66.

Mr. IRVINE: I am taking 1966, right at the bottom, just before vote 5, \$5,647,000, in the centre of the page as opposed to \$5,664,700 under 1965-66 in the right hand column.

Mr. WINTERS: I will ask Mr. Fletcher, if you do not mind, to answer that. I would think it would be a matter of supplementary to take up the slack. There is quite a bit of slack there.

Mr. FLETCHER: Mr. Chairman, the figure in the column headed 1965-66, is \$5,664,700; that is the total of the appropriations granted by Parliament. The figure down below shown as estimated for 1965-66 and in the magnitude of \$5,647,000 is what we expect will be spent, or had been spent in the fiscal year concerned. The difference, as you say, sir, will be made up if necessary, but we expect to spend less than our authorized appropriation.

Mr. WINTERS: In other words, this is the amount voted by Parliament and the other is the amount we actually expect to spend.

Mr. IRVINE: I have another question which is totally unrelated. Mr. Munro asked some of the questions I would like to have asked but I do not think there is any point to some of them now, but there is one point which I am quite concerned about. The Minister did make mention of it here a moment ago and that is with regard to controls of the export of cattle and calf hides. Now, I asked questions in the House on this subject, I was not exactly satisfied with the answer which perhaps was very understandable under the circumstances. I am just wondering what is being done in this regard because if these hides are to be exported from Canada and then come back to us in the way of manufactured goods what protection do we have for our manufacturers in this regard? What is the attitude of the department, and what plans does the Minister have in this regard?

Mr. WINTERS: Well, we try, as we should try, to interfere with the flow of trade to the least possible extent. The only control we have exercised over the export of hides is that we have undertaken with the United States to put export controls on American hides imported into Canada. We did that at a time when they cut controls over their export of hides, but they observe the open border policy that obtains between our two countries with respect to most commodities. But they did not want whatever was shipped into Canada just to flow out to markets that they were trying to deny by their own controls. So we took controls of the re-export of American hides coming into this country, but that is the only control we have taken over hides. We have, however, set up an advisory committee to work with us to see whether there is any further action we should take. There was some dislocation in the world trade in hides this year because, first of all there is extraordinary demand and there seems to be a swing back to leather, and they had some problems in Russia with foot and mouth disease which made Russia a prime export market for Canadian and American hides.

Mr. IRVINE: According to a press of about the 15th of May, this advisory committee was to be formed and now you say it has been formed. What type of firm, or individuals would be represented in that advisory committee? Is it strictly all a governmental committee?

Mr. WINTERS: No, no. The advisory committee is from industry, from the tanners and all segments of the users of hides. I have invited about a dozen or so people to participate. It only took place last week, and I do not know what the response has been.

Mr. IRVINE: Well, Mr. Winters, is this a closed corporation or could I suggest to you the name of a person I would like to see on that committee who represents a very large—

Mr. WINTERS: We are looking for advice. It is not a closed corporation by any means. Please do suggest a name.

Mr. IRVINE: I would be pleased to suggest a name. I will not do it now, but I will send it to you. I will give you his proper initials and everything that is necessary.

Now, in going over some of these estimates, there are two or three other things that I find here. One of the things that hits me most, sir, is the fact that we have quite an increase in the personnel.

We have been sticking pretty close to Vote No. 1 here, so turn to page 461. You will notice the increase in the personnel under General Administration in the bracket of \$12,000 to \$14,000 annual salary, 41 to 54 you will notice in the \$14,000 to \$16,000 bracket an increase from 27 to 34; in the \$10,000 to \$12,000 from 63 to 73, and this goes on down the line. In all the different votes you will find pretty much the same thing. There is a great increase in the number of people in the higher earning brackets and generally fewer in the lower earning brackets.

Mr. WINTERS: I imagine there are salary adjustments, but I will ask Mr. Fletcher to answer you. These estimates, as I said at the outset, were made up by Mr. Sharp.

Mr. IRVINE: I would like to go on a little bit before you should answer that. I am not trying to indicate or to suggest that this might be empire building, but I notice also that there is an additional number of employees of 269.

Mr. WINTERS: Yes.

Mr. IRVINE: How far can we go in suggesting that industries and firms making in excess of \$30,000 a year economize. And yet, on the basis of this, I arrive at a figure of some \$2,690,000 in these salary increases. It does not seem to be compatible with common sense that on one hand we should ask industry to tighten their belt and we should loosen ours. This is a point that I want to get across is that if we take the amount of money that has been expended in this direction and multiply it by the number of departments in government we could very easily tighten our own belts and perhaps raise old age security \$100 a month with the saving.

Mr. WINTERS: Well, hardly; but I agree we have all got to practice restraints. The \$30,000 figure you mentioned applied with respect to a different matter, I think. But, there has been a substantial adjustment in salaries. I do not think they are too high now. The salaries in industry compared with salaries in government are two different things. Years ago the government service attracted people because you got security and good pension, and all

that; but the security and pension benefit and other benefits in private enterprise now are at least as good as they are in the government service, and how long we can live with this differential in salaries and get the kind of people in government service we want I do not know. Perhaps Mr. Fletcher would answer more specifically.

Mr. FLETCHER: I could supplement your comment, Mr. Winters.

Mr. Chairman, there are two explanations for these apparent sharp increases in salaries and salary levels and aggregates within any salary range. The first explanation is that there was a statutory adjustment of salaries approved by parliament and this redeployed certain departmental officials into different salary ranges. That is one part of the explanation why different figures appear.

The second explanation is that most of the net increase in personnel under this heading "Departmental Administration" actually does not represent administrative staff in the narrowest sense, but it actually includes all the trade promotional staff of the department, exclusive of the trade commissioners service itself, the travel bureau, and those which have specific votes as you will see in the detail of the estimates. For example, sir, under the heading of administrative personnel, we include all our commodity officers. In the Agriculture and Fisheries Branch, in Industrial Materials Branch, in Manufacturing Industries and Engineering Branch and in the Transportation and Trade Services Branch, these people are specifically export trade promoters.

In addition, under departmental administration personnel figures we include all the officers of our Office of Trade Relations who themselves are trade promoters. We include the personnel in Trade Fairs and Missions Branch, in Trade Publicity Branch, and also the officers of our Economics Branch, so that there is some misleading in the title "Administration". It should not be so construed. These are actual trade promoters. If I may add the comment: in the very detailed breakdown of the summary figures the net increase in salaries paid in the present fiscal year 1966-67 over last year is \$334,000. Now, without exception, this is the area of strengthening the department's personnel in the trade promotional areas, and we submit sir that our department has a role to play, and that we need more staff to carry out that role of export trade promotion.

Mr. IRVINE: Yes, I will mull this over when I see the proceedings. I am a little dense, you know. It takes a little while to sink in.

Mr. CLERMONT: Did the Minister make the comment that the government actually asked industry to tighten its belt? I doubt if the government asked the industry to cut their personnel. Maybe the government has been not—

Mr. WINTERS: When I replied I thought he was speaking in another context really. It did not bear particularly on this point.

The CHAIRMAN: Do you have any further questions?

Mr. IRVINE: Yes, I have some more questions. With regard to the letter that went out, I believe about the 31st of March, from the Minister of Trade and Commerce to subsidiaries of American owned or foreign-owned companies, I would like to know first of all how many letters—I know some of

this is confidential and I am sure that the ground that I am walking on is not—went out and how many have replied as of now?

● (11.45 a.m.)

Mr. WINTERS: We did not ask for replies. There were 4,000 letters and I would say we have had between 300 and 400 replies. You will note we did not ask for replies; we just made assertions that this was the kind of conduct we would expect from Canadian companies and I think it is remarkable that so many have replied.

Mr. IRVINE: There is a 10 per cent return then.

Mr. WINTERS: Many others have phoned; we have had communication one way or another from a great many of them.

Mr. IRVINE: I have a question which is on the order paper and I did wish that I might get the answer to that before these estimates came to the floor of the House. I know that some of these things are very confidential and naturally you cannot be throwing certain figures out publicly because it would be a breach of confidence; but I would like to know the consolidated total of the replies received, for instance, on the geographical allocation of expenses and other items of the reporting companies. One, which were these forms that were apparently sent with the letters.

Mr. WINTERS: They have not gone out yet.

Mr. IRVINE: They have not gone out as yet; then there is not much chance of getting that report. This, then, would be something that I think I should be entitled to, because I do not want the figures of any individual company; I want the over-all picture. The result of that, of course, is that I shall have to have that question on the order paper until such time as you do get them.

Mr. WINTERS: When, may I ask, did you put the question?

Mr. IRVINE: It has just gone in. It is on *Votes and Proceedings* on Friday.

Mr. WINTERS: I see. I did not see it.

Mr. IRVINE: Another thing I would like to ask about is this: Why was it that on this letter that went out that a reply was not almost demanded? Mind you, perhaps we are getting too close to too severe a penalty, but I was wondering why there was not some teeth put into this, saying, "reply by such and such a date". There must be good reasons why you want it, and a little bit of pressure I think perhaps would bring the answers that we wish.

Mr. WINTERS: Well the procedure we decided to follow was to tell them what we expected of them as good corporate Canadian citizens. I think the response was good considering the fact we did not ask them to comment, because we were not really concerned at that time. But now we have followed it up with this letter which does ask them to submit this information which will enable us to observe whether they are meeting the test of good corporate Canadian citizenship or not. This is required of them, that they reply to this and submit these figures.

Mr. IRVINE: Well, then I would be led to assume that after this second letter goes out which is asking them to submit these figures, then likely a third letter would go out perhaps being a bit more firm; is that right?

Mr. WINTERS: The returns will flow automatically from this because you may be assured that we will not lose contact with them. We would like to see that they do move in the direction of all these requirements of good corporate Canadian citizenship. We stated these as desirable objectives, and some of the things had to do with their financing program, the making available of equity and a majority of Canadian members on their boards—it is going to take some companies a while to adjust to this, and some perhaps will protest that they cannot adjust to it. We will have to see; you cannot ask them to do this overnight. Some of these subsidiaries have no boards at all so asking them to put a majority of Canadians on their board does not mean anything; and some have no equity issued in Canada at all. It is something we will have to observe and move them in the direction and that is why we call these desirable objectives.

Mr. IRVINE: One more question and that is all I have, Mr. Chairman. Mr. Munro touched on this. The present trade balance deficit that we have with the United States in our balance of payments fund is something in the neighbourhood of \$2 billion. What plans the Minister and the Department have to perhaps bring this around to a point of where it would be a little bit more favourable to us? Are there any long range plans under which you hope that we will be able to bring this somewhat close to parity in the not too distant future? I know this is a long range program.

Mr. WINTERS: If this comes into parity it will be a very long range program. Our parity has been achieved on a world basis. We have a rather historic position with the United States. We are living next to the most affluent country in the world with a preponderant population, making so many things that we do not make, and our economies are in many ways complementary; so we will have to import from the United States goods and services and a great many things for a long time to come. In the field of investment money I think we will have to look to the United States market for as long as I can see. As long as this country continues to grow the way it is growing we will have to have outside funds. Now the percentage of outside funds to our total requirements will diminish as Canada grows and as we have more savings accumulated here, more pools of investable funds.

I think there has got to be a program, taxation or however you do these things, to provide the kind of incentive which will enable people to build up pools of money, enhance our savings, enhance the amount of money in pension funds, in insurance companies, and so on, as they have in the United States; but it took them years and years to get to the point where they have these investable funds.

Our exports to the United States are increasing very substantially, and for the first quarter of this year, for example, our total exports to the United States were up to \$516.4 million as against \$409 million last year. That is a substantial increase. I am sorry, that is the month of March. From January to March it has been \$1,358.1 million as against \$1,082.5 million. Our imports, while they are still high, in relation to your exports to the United States, are in better balance, so our trade position with the United States in the first quarter of this year is better than it has been.

Mr. IRVINE: You would say that on the basis of balance our exports are not increasing perhaps as fast as our imports are?

Mr. WINTERS: Yes, they are. Now, for example, in 1965, our unfavourable trade balance with the United States for the first three months was \$130 million. This year for the first three months it is \$99 million. I am sorry, I am on March again. For the first three months it is down from \$276.5 million to \$254.7 million. So we are going in the right direction, but we are still badly out of balance and I would not want to suggest that it will come into balance very quickly, either.

Mr. IRVINE: Thank you, Mr. Chairman.

Mr. BASFORD: Mr. Winters, I would like to ask you a few questions relative to a portion of your statement relating to trade with Japan. First, I would like to ask you to outline to the Committee the extent of the so-called voluntary quotas that we have imposed upon Japan, as they now operate.

Mr. WINTERS: Well, this is historic and I have not been too familiar with this so I will ask Mr. Fletcher if he will handle that one.

Mr. FLETCHER: Mr. Latimer, who is general director of our Office of Trade Relations will answer that, Mr. Chairman.

The CHAIRMAN: Mr. Latimer, would you mind advancing to the witness table so that you can speak into the microphone. As the members of the Committee, know our proceedings are being reported through automatic procedures and you will note the memos I have had distributed to you asking everyone to speak into the microphones so that we can have a proper record of our proceedings.

Mr. R. E. LATIMER (*General Director, Office of Trade Relations, Department of Trade and Commerce*): Thank you, Mr. Chairman.

The restraints that we have specifically with Japan are in the framework of the so-called sensitive goods under which the policies are directed towards an orderly development of the market and avoiding damage to specific areas through excessive flooding of the market. They cover cotton and nylon fabrics, elastic braid and webbing; ribbons; pillow cases; sheets; bedspreads; various articles of clothing; transistor radios; radio and television tubes; polyester buttons; stainless steel flatware. This is the current list.

Mr. BASFORD: Is that the complete list?

Mr. LATIMER: With Japan?

Mr. BASFORD: Yes. I am curious about a statement at page 24 of the annual report which says: "In Japan while no further significant steps were taken towards the liberalization of imports during the year, the balance of payment situation improved considerably."

The CHAIRMAN: Are you referring to the 1964 annual report?

Mr. BASFORD: No, 1965; the seventy-fourth annual report. I am wondering whether that is referring to significant steps taken by Japan or by Canada.

Mr. LATIMER: Significant steps taken by Japan in terms of freeing up their restrictions on our exports, I believe.

Mr. BASFORD: It is not referring to steps being taken by Canada?

Mr. LATIMER: No. In Japan they are fairly restrictive on imports, as you probably know.

Mr. BASFORD: As I understand it, the United Kingdom also has imposed voluntary quotas on Japanese imports but there is provided in that program a deadline at which time these voluntary quotas will be removed. As I understand Canadian policy, no such deadline has been provided. Is there any thought being given to providing that?

Mr. WINTERS: No, not at the moment.

Mr. BASFORD: Why?

Mr. WINTERS: It is reviewed annually and since it is not a matter before us now at the moment we are not giving any thought to it. There was a meeting of ministers last year and there is going to be another one this fall. This might come up for discussion, but at the moment it is not being given any thought.

Mr. BASFORD: Would it not help our situation in encouraging trade with Japan to give the Japanese some indication of a deadline by which we would remove these quotas?

Mr. WINTERS: Of course, everyone would like to do that, you know, all the free traders in the country of which I tend to be one, but we have our own domestic industry and we have to consider how we can do these things with the least disruption of our own industry.

Mr. BASFORD: I will come back to that in a moment.

Mr. WINTERS: I have just been told that the controls have been removed from certain of the items under control, and that as the Canadian market increases we take more Japanese goods each year.

Mr. BASFORD: Mention has been made here of our balance of payments problems with the United States. I would like to put the theory to you that many of the things on the list of sensitive goods are also things that we import from the United States and that we could, by importing them from Japan rather than from the United States, materially correct or assist our balance of payments problems with the United States and our imbalance of trade problems with Japan.

Mr. WINTERS: I accept the proposition.

Mr. BASFORD: Is there any thinking being given to developing that line of thought within the department?

Mr. WINTERS: Well, this is largely a matter for industry itself. We can just create the conditions in which industry can operate in these fields but they must go where they can get the best deal. If they can get the best deal by importing an article from the United States rather than importing the same article from Japan, they will take it.

Mr. BASFORD: We have, for example, on our sensitive list cotton and nylon. Surely Japanese cotton and nylon should be able to compete freely with American cotton and nylon, but at the present time it is not able to compete.

Mr. WINTERS: Well this seems like a good proposition, but I do not know enough of the background. Perhaps Mr. Latimer would like to comment on that.

Mr. LATIMER (*General Director, Office of Trade Relations, Department of Trade and Commerce*): I think the only comment I would make, Mr. Chairman, is that you have to look at the quality, the grade and the prices we are talking about. The restraints themselves are related to excessively low price goods coming into the country that create particular problems for particular Canadian industries, where these same kinds of problems have not arisen in relation to imports from the United States. It has to do with the degree of penetration, the speed of penetration and the prices.

Mr. WINTERS: At the same time, I do want to assure the Committee that we are very interested in increasing our trade with Japan. We propose to take steps to this end as, indeed, we are doing.

Mr. BASFORD: Could we have an outline of those steps?

Mr. WINTERS: These ministerial committees meet on a periodic basis. It is a step in that direction. We are going to have one this fall which is going to meet, I hope, in Vancouver or some place in British Columbia and in Ottawa to focus their attention to the business community in British Columbia and on the importance of this area as a trading market. But, we would like to expand our trade with Japan as indeed we would with most countries.

Mr. BASFORD: Well, it is my impression that often our restrictions on Japanese trade are there for the purposes of protecting antiquated and archaic sections of industry in Ontario and Quebec. I am wondering if any thought is being given by the department to developing a program which I believe was included in President Kennedy's Trade Expansion Act to provide assistance to industry that was effected by a lowering of tariffs that would result from the Kennedy Round of discussions. We have no similar legislation in Canada and I am wondering if thought is being given to the development of such a program by which both capital and labour could be assisted and encouraged to move from one area of endeavour to another?

Mr. WINTERS: I think, Mr. Chairman, that is more a matter for the Department of Industry than the Department of Trade and Commerce. But on the matter of antiquated and archaic industry, if you are talking about the textile industry, which is the one people think of in this country, I think that industry in Canada has done a pretty good job in modernizing itself, and it is vastly more competitive than it was some years ago. I think the textile industry is a pretty good example of what can be done. It shows some real vitality. You may have had others in mind.

Mr. BASFORD: I would suggest that it is not solely a question for the Department of Industry but also for the Department of Trade and Commerce.

Mr. WINTERS: Yes, we are working together I agree, but the sort of policy you mentioned is the policy of the Department of Trade and Commerce.

Mr. BASFORD: Yes, but legislatively we do not have such a program. We have now a labour mobility program to help workers move but we have no program, that I am aware of, that is designed to assist capital to move—

Mr. WINTERS: Well we have a designated area program—

Mr. BASFORD: —from one type of industry, one type of manufacturing to another, and surely if those people who are concerned about freer imports

could see some assistance coming their way, their objection to freer imports would be lessened.

Mr. WINTERS: It is still a matter of being competitive. No matter how you achieve it, it is a matter of being able to compete.

Mr. BASFORD: I would like to turn for a moment to Expo 67.

The CHAIRMAN: Mr. Basford, if you will think back to the beginning of our hearings on these estimates, we generally agreed that Expo 67 would be dealt with as a separate entity, including the statement of the Minister.

Mr. BASFORD: Fine. As you know, I was not here at the first meeting of this Committee because I was in the Broadcasting Committee.

The CHAIRMAN: Do you have further questions relating to the Department of Trade and Commerce?

Mr. BASFORD: Not at the moment.

The CHAIRMAN: The next name I would have had on my list to be recognized was Mr. Lambert. He has gone to a defence steering committee meeting and, therefore, I am going to proceed with Mr. Cashin. If there are other names in this first general round, I would like to make sure I have them noted.

Mr. CASHIN: Mr. Chairman, my question to the minister would relate to the approach of the department to the less developed or the developing countries. From a variety of sources the suggestion has been made that, for example, in the West Indies, Canada is perhaps not taking full avail of the trade opportunities that exist there or, in a broad sense, participation in the development of the West Indies.

The suggestion had two reasons I think. Firstly, that because of our traditional avenues of trade, we tend to rest on our oars in the West Indies and, secondly, because of the fact we have this bond of trade and other similarities more so with the West Indies than perhaps any other nation in that category, and we are perhaps taking it for granted rather than taking advantage of the situation. I am wondering about the relationship, if there is a relationship, or how it works, between your trade commissioners in these areas and external aid. What I have in mind is this. Firstly, I would say that recently Mr. McCutcheon and myself were in Trinidad and were very impressed with your representative there and we intend to write you to that effect. I might also say that the representatives of the other countries who were in Trinidad were also very much impressed with your man, Mr. Dyke, who seems to be doing a good job. But, I am wondering for example, in his case of any of the trade commissioners, as they gather information what relationship exists between your department and external aid. Here is an example, although it may not be a good example. These areas, as I understand it, and I think it is obvious, are changing their type of economy. We used to rely in the case of the West Indies on selling them salt fish. I might say that I saw a 40 year old Lunenburg schooner in the harbour in Barbados, which is probably familiar to the Minister. In the change that is taking place in the economy of the West Indies it was suggested to me by the Canadian people who

are there in business, that we are perhaps not on the ball, as it were. One example that was given to me was in the case of Trinidad and Jamaica, that we are trying to develop and become more industrialized. One of the things they are doing there is building a flour mill with government assistance and protection and this is cutting off an avenue of trade that existed between this area and Canada in flour. Whereas, the suggestion is made that if we are more involved in the area and more aware of what is going on, we perhaps could partake in some way or other through private industry or through our external aid in these changes and guarantee, certainly in the case of the flour mill, that the grain would be from Canada. It is the same with their development of the fishing industry which may conceivably in the long run hurt our markets. But, if we are involved with them in the change through government or private industry, we could perhaps have a more integrated approach. I am wondering, therefore, if you have any comments about the relationship through our trade commissioner's office. What happens to the information he gets, how is it disseminated to industry in Canada and how is it related to our external aid program?

Mr. WINTERS: This is, as you said Mr. Cashin, an area in which I think Canada should exert a special influence not only because of our traditional trading arrangements with them, but because of its location and future development. I personally have been brought up pretty well on this in this area; I had the opportunity on Thursday of participating in a seminar at Dalhousie University on this very matter of relations between Canada and the Caribbean area during which time I had quite a long session with the Honourable Mr. Lightbourne, the Minister of Trade for Jamaica, and some members of his delegation. I would like to see us develop more opportunities there. We both talked of the approach to it, that it should be one of integration. We should know what they are doing and they should know to what extent we can help them toward what they are doing. And, if they will pick areas of development which are complimentary to what we have been trying to do here, we can give them more support than on the things they export from the industries they do build there. So far as aid is concerned, the people from trade and commerce are on the committee that allocates the aid and studies the aid program. I believe it is true that this area receives more from our aid program per capita than any other area in the world. So, it is a developing area with the universities, exchange of teachers and programs generally. It is an area I think we in Canada should be paying some special attention to.

Mr. CASHIN: Would you agree, sir, that in relations and trade, in developing new markets and new opportunities not only in less developed countries—but I am thinking particularly of less developed countries—that there is a need for greater government participation, planning, gathering of information or co-ordination in the case of Canada than say in the case of the United States or other countries which have more sophisticated economies than ours?

Mr. WINTERS: I think that is true.

Mr. CASHIN: Are we accomplishing this?

Mr. WINTERS: Well, we are moving in that direction. I think we recognize this as an area in which we should be doing more and, in fact, have.

Mr. CASHIN: Is there a real awareness of this. I had another example in the Colombo plan area which was brought to my attention, where on the evidence which I had—and it is probably not too complete; it seemed to me that it involved about \$30 million—we may have missed the boat because of lack of communication between either external aid, your department or private industry. But, in this particular case, it was a fishing industry in Ceylon they were developing—and I think it still has not been decided. The Germans, I was told, and one other nation, I think one of the Scandinavian countries, seemed to be much more anxious to assist financially in the development of the project because the benefits of these countries would be great in terms of supplying the materials and the trade which would be created as a result of building these industries. It was not just a matter of Norway, Germany or Canada giving a grant which had no advantage to the country. In fact, a lot of the money that would be spent in Ceylon would in turn, be spent in the donor country in terms of supply and demand. I am wondering if we are really aware of these things.

Mr. WINTERS: Very much so. We try to relate trade and aid. It has been a long time since I have been associated with these government programs but I do know that Canada had quite a stake in the development of the fishing industry in Ceylon. We did, in fact, ship some fishing dragger, some engines and fishing equipment out there.

Mr. CASHIN: But you have not been too successful.

Mr. WINTERS: I really do not know. I accept that, but I do not know. But, we did play a role in it. However, if someone did not rather we did, I really could not say. But we did play a role in the development of Ceylon, and we followed it by providing equipment and trade.

Mr. CASHIN: Well, that is pretty much the general area. It seems to me, and I am particularly interested in fish trade, that as the West Indies becomes more developed perhaps the kind of fish and the kind of product we are selling to them will not be in as much demand in the future as it is today.

Mr. WINTERS: It might also be that we will not be in as good a position to supply.

Mr. CASHIN: That is true too but it may well be that there may be opportunities for some of our fishing interests in Canada—and I know the development that is taking place in Canada in the fisheries—to integrate with the development of the shrimp industry in the West Indies so that we have a supply of these things which we cannot produce ourselves in Canada and at the same time, because of the relationship of the companies, have a guarantee that for the kind of fish we produce we still have a market in Canada. But, what concerns me and what seems to be the concern of those associated in the area is the lack of co-ordination. There is a certain amount of frustration at the present time that Canada may not really be availing itself of all these opportunities because perhaps of this lack of co-ordination and communication. This is said not so much as a criticism but—

Mr. WINTERS: We intend to take a very good look at this area. We are going to have a conference here from July 6 to 8. I, personally, as I said in Halifax, intend to stay as close as I can to this area.

● (12.15 p.m.)

Mr. CASHIN: Perhaps you might consider taking a visit down to the West Indies.

Mr. WINTERS: I have already done that once this year, but I would not mind going back again.

Mr. BASFORD: You should go to Japan first.

The CHAIRMAN: Are there any further questions at this time, Mr. Cashin? If not, I will call on Mr. Cameron.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I have been intending to broach the matters Mr. Cashin has brought up. But, there is another angle that I think should be mentioned. It has become very obvious—and we are reminded of it day by day almost—that the gap between the developed countries and the underdeveloped countries is widening rather than narrowing, we have had many reports that the prices which these people pay for manufactured goods have been going up while what they receive for their sole means of getting any foreign exchange have inclined to drop. I was wondering if the Minister has any comments to make on the suggestions we made in a number of quarters that the developed parts of the world will have to be prepared to pay more perhaps for some of the commodities of these developing countries than the market would necessarily warrant in order to aid in their development and in order to avoid the very great dangers of this gap widening still more throughout the world. Would the Canadian government be prepared to take a lead in such a general move as a more effective method of providing aid for development of these countries than the granting of capital grants?

Mr. WINTERS: One of the questions that will be a thorny one in the carrying on of negotiations is the relationship of the developed countries to the developing countries in preferences and so on. Mr. Lightbourne from Jamaica and I the other day talked about this in relation to sugar, which is one of their staples down there and one of their real export items. The problem there has been in price, and with present sugar prices they feel they cannot produce economically. They are asking for the same sort of range of prices for sugar as now applies in respect of wheat, I believe, under the International wheat agreement.

I thought it was a reasonable approach he suggested and I said we would certainly like to see what we could do to participate in that kind of arrangement. One does not like to see countries such as Jamaica or others in the position where they are required to produce and sell their basic production at prices lower than economic prices. That just leads to increasing hardship.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): On this point, it does seem to me that perhaps Canada could take the lead in driving this home to the minds of the rest of the developed world.

Mr. WINTERS: Well, we have some views on this matter which we will be expressing at the Kennedy Round of negotiations.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Not only in regard to the West Indies but to the other underdeveloped areas of the world; they are nearly all in the same position, with one crop on which everything depends as a rule.

Mr. WINTERS: Cocoa, sugar and cotton.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes. That is all the question I have.

The CHAIRMAN: Thank you, Mr. Cameron. I will now call on Mr. Monteith.

Mr. MONTEITH: Did the Minister say in reference to the letters going out to American subsidiaries that there is no reason to believe that the American subsidiaries are not following your suggestions?

Mr. WINTERS: They welcomed the letter and the ones that have replied all said they thought this was a good thing in principle, that they liked the idea of having these guiding principles laid down, they like to know what the rules of the game are, that they think the rules are reasonable and that desirable objectives were assured. None of them have told me that they cannot comply with any of them, but I have seen in the house publications of certain companies that they find it difficult to make their shares available to the public because some of their competitors do not do that. I, in one or two instances, told them that I did not think this was a good reason, just because others did not do it that they should not do it; they should take some leadership in this field. And, some of them are moving in that direction. Some of the subsidiaries of these companies do not have separate boards, as you all know, and we suggest a majority of Canadian representatives on the boards. This means quite a departure. Some companies do not have outside members on their boards.

Mr. MONTEITH: Well then, in regard to this second letter which has just gone out, did you indicate—or was I correct in this—that there was an answer required to this.

Mr. WINTERS: Oh yes.

Mr. MONTEITH: By what authority?

Mr. WINTERS: Well, I do not know under what specific authority we do this, but if we write and ask them to supply us with this information I do not think it will take specific authority; I think we will get it. They have been very good at complying with D.B.S.—

Mr. MONTEITH: Really there is no teeth in it.

Mr. WINTERS: Oh, there is teeth in it.

Mr. MONTEITH: How?

Mr. WINTERS: Well, when we get this information we observe trends.

Mr. MONTEITH: No, no; I mean teeth in your request.

Mr. WINTERS: What sort of teeth?

Mr. MONTEITH: To empower you to demand this information.

Mr. WINTERS: I do not think it is necessary. I think we will get the information. All the ones we have consulted, and we have consulted many of them in drawing this up, have said they would supply the information. I do not think we will have any trouble.

Mr. MONTEITH: Is there any power given under the Corporations and Labour Unions Returns Act?

Mr. WINTERS: We have sought powers under that act. There are certain powers under that act, as I understand it, which your government brought in.

Mr. MONTEITH: Might I suggest then that the teeth has been taken out of it by the amendments of 1965.

Mr. WINTERS: To what?

Mr. MONTEITH: To the Corporations and Labour Unions Returns Act.

Mr. WINTERS: Do you take it otherwise as an effective piece of legislation?

Mr. MONTEITH: Yes; I do not think it was given an opportunity to work under the previous terms.

Mr. WINTERS: I see. I think that is a matter of opinion, as I understand it.

Mr. MONTEITH: Well, we will move along. On the Japanese question, did I understand, Mr. Latimer, that there are certain definite quotas on certain Japanese imports and on others there are voluntary quotas?

Mr. LATIMER: They are all voluntary restraints.

Mr. MONTEITH: They are all voluntary. And, at what stage of the trading do you realize that they have either exceeded or are approaching that quota?

Mr. LATIMER: There is a fairly substantial staff in the Department of Finance maintaining a regular check on the volume of goods coming in that are under restraint.

Mr. MONTEITH: What action is taken if it is obvious that this quota is going to be exceeded if the present trend of imports continues?

Mr. LATIMER: The provisions in our trade agreement with Japan provide for the use of values in the event that the restraint arrangements are not effective in avoiding damage.

Mr. MONTEITH: I do not get that.

Mr. LATIMER: The value for duty provisions.

Mr. MONTEITH: Oh yes.

Mr. LATIMER: They are recognized in the Canada-Japan Trade Agreement negotiated in 1954.

Mr. MONTEITH: So you adjust the value for duty if it appears these quotas are going to be exceeded.

Mr. LATIMER: This is the facility that is there but I am not aware that it has ever been necessary to use it.

Mr. MONTEITH: Was the only reason for putting voluntary quotas on originally that these Japanese exports were presumed to be unfair competition to local production from a wage level point of view and this sort of thing?

Mr. LATIMER: Well, the measures that are taken are in relation to the increase in the amount trade and the prices at which those goods are being sold.

Mr. MONTEITH: Are your actions to more or less prevent dumping at a price much below what Canada can produce the same article at?

Mr. LATIMER: This was taken into account, the price spread.

Mr. MONTEITH: But, with regard to Japanese imports it is, as you call it, a voluntary quota in all cases?

Mr. LATIMER: That is right.

Mr. MONTEITH: There is one other line of questioning I might take for a moment, Mr. Chairman. How many employees from the Department of Trade and Commerce were transferred to the Department of Industry?

Mr. FLETCHER: I would have to take notice of that, sir, to give you the actual figures. But, in a general response I can say the personnel who formerly served in what the Department of Trade and Commerce called its Domestic Commerce Services were transferred on October 1, 1963 to the federal Department of Industry. There were approximately 120 I am told by the Comptroller Secretary.

Mr. MONTEITH: The number of employees in the Departments of Defence Production, Trade and Commerce and Industry, has seemed to me to have increased very rapidly and I am just wondering is there any possibility of duplication of work between the Department of Industry efforts and the Department of Trade and Commerce. I think it is fair to point out that when the Department of Industry was set up I, amongst others, criticized the move on the basis that it looked like a duplication of effort and that the expansion of the industry department or this branch of the Department of Trade and Commerce would probably meet the same end. I can only state that the increase in the number of employees all the way down the line from December 31, 1963—and I only have the figures up to March 31, 1965—has been of such magnitude that I am afraid there may be wasted effort, and a certain amount of duplication which might not have been necessary. Actually, the total force, as I understand it, has increased by 28.4 per cent in the three departments in that period of a year and three months. I am frightened at the thought of whether or not there is full value being received because of these increases. The first figure I have for anything in industry is March 31, 1964, and it is 125, so that would approximate your transfer from Trade and Commerce. Despite the transfer of those 125 from Trade and Commerce the list of employees has increased by 17 per cent in the same period of time, one year and three months, despite the fact that you transferred 125. I have to admit that I am just not convinced that there is the additional value being received because of this huge increase in the number of employees.

Mr. WINTERS: I do not know whether much duplication exists; I would not be surprised if there is some, but I know it has increased the amount of committee work between the various departments, as it has undoubtedly increased the available number of personnel too because you have certain senior officials in both departments, the deputy minister and undoubtedly others. Whether or not one can weigh that against the improved service I do not know. I would suggest that is the only yardstick with which you have to judge it.

Mr. MACDONALD (*Rosedale*): To that extent Mr. Fletcher's earlier response to Mr. Irvine's question was that the increase in Trade and Commerce has taken place in the external trade promotion aspects of the department?

Mr. FLETCHER: Well I did not mean, Mr. Chairman, in the external trade promotion side because that means something specific in our establishment. I

meant that the increase was in those officers who have duties in the trade promotion and trade relations activities of the department. The personnel who were transferred to the federal department of industry had no duties when they were with us in the foreign trade promotion field. They were concerned with what we call domestic commerce, industrial diversification and industrial development of the Canadian economy.

Mr. CASHIN: Mr. Monteith asked the Minister if there was enough teeth in the act to get the required information. Would the Minister not agree that in the normal course of events that there is a sort of moral suasion that would demand that this information be forthcoming and that this really is the better way to do it. Is that possible?

Mr. WINTERS: Oh, yes, and I have no doubt of our ability to get the information. We have had splendid co-operation from everybody in this program.

Mr. CLERMONT: I have a supplementary for Mr. Latimer. Is there plywood on that sensitive list—and I am referring to Japan?

Mr. LATIMER: Not at the moment.

The CHAIRMAN: Mr. More, do you have some questions?

Mr. MORE (*Regina City*): Yes, I have a couple of questions.

I would like to ask the Minister if he could give us his views on our developments with Latin-American countries. I keep hearing from banker friends of mine who are down there travelling; they say they never can find a Canadian mission but the Americans are everywhere, and they feel we are missing the boat. I would be very interested to know your views on just how we are meeting the possibilities for larger developments of Canadian interests in Latin-America.

Mr. WINTERS: This is an area where I do not think we have done our stuff as well as we should. It is an area where I think we have to put a lot more effort. We send trade missions here and there. We just sent one to Mexico on electrical equipment. We have a pretty good knowledge of what goes on in some of the Latin-American countries in the field of trade and industry, such as Brazil with Brazilian Traction and other operations down there.

I do feel and have felt for a long time that this is an area where we could get more value in the field of trade, and I think it is one we should concentrate on more.

Mr. MORE (*Regina City*): I am glad to hear you say that. I take it that these complaints and the views expressed are factual; that this is the situation that exists now, and we do not play a very dominant part down there. Will your program be to develop this rapidly.

Mr. WINTERS: Well we hope to do more. I personally would like to pay a visit to some of those countries just as soon as I can.

Mr. MORE: I have one question to put to Mr. Latimer. I was interested to see that transistors were on this list. Is there a manufacturer of transistors in Canada? My understanding is that these were mostly imported, cased and put out under a trade name and that in fact the transistors themselves came from outside, largely from the United States.

Mr. WINTERS: No; there are several transistor manufacturers in Canada.

Mr. CASHIN: May I ask a supplementary to Mr. More's question on Latin-America?

You say you feel there are more opportunities there, is not one of the dangers in your trade commission office or anywhere that we might feel there are opportunities in many places but, in fact, we might spread ourselves out too thinly. Is there some criteria, some evidence or information available on the type of economy and so on that determines—

Mr. WINTERS: Oh, yes; there is a continued process of study on market potentials everywhere, and Latin-America is one of the greatest developing areas in the world.

Mr. CASHIN: I would not disagree.

The CHAIRMAN: Mr. Winters, where are we represented now in Latin-America? Could one of your officials enlighten the Committee?

Mr. FLETCHER: We have thirteen posts in Latin-America. I can give you these. There is a list of these on page 463.

Mr. MORE (*Regina City*): I think our lack exists not only here but also in the external affairs representation so far as I can judge from the comments I get from Canadians.

Mr. WINTERS: Well I am sure Mr. Martin would persuade you to the contrary but I will not endeavour to speak for him.

Mr. MACDONALD (*Rosedale*): Mr. Chairman, may I say on Mr. Martin's behalf we have diplomatic accreditation to all the countries there; we of course do not have missions in all the countries. We have probably more missions there than in any other country.

The CHAIRMAN: Mr. Fletcher, can you enlighten the Committee on this question?

Mr. FLETCHER: Speaking only of trade commissioner posts we are located in Buenos Aires, Argentina. We are in both Rio de Janeiro and Sao Paulo in Brazil. We are in Santiago, Chile; Bogota, Colombia; Havana, Cuba, although we have a locally engaged staff there only—there is no foreign service officer in residence. We have a post in Santo Domingo in the Dominican Republic. We are in Guatemala City, Guatemala; Mexico City, Mexico; Lima, Peru; Montevideo, Uruguay, and Caracas, Venezuela. Those are Latin-American countries in the national sense; we are also in Commonwealth countries in that geographical zone as well.

Mr. MONTEITH: When do we meet again?

The CHAIRMAN: Well this is a topic I want to discuss in a few moments. I plan to ask the Committee to adjourn shortly before one o'clock. Perhaps we might go on for about another ten minutes of questioning and discussion, and then we can spend five minutes or so discussing our scheduled meetings if that meets the convenience of the Committee.

If that is satisfactory I would like to call on Mr. Munro. I might say at this point that we have finished our first round of general questioning.

Mr. MONTEITH: Not quite, Mr. Chairman.

The CHAIRMAN: I am sorry. I was just saying that we had finished our first round and are about to start a second one. However, I see at this time someone who is not a member of the Committee; of course, he is one of our colleagues and perhaps we might accord him the opportunity to ask a few questions, pursuant to the new rule.

Mr. WHELAN: I just have one question concerning development of further trade with South America. I imagine it would consist of manufactured products, industrial machinery and this type of thing.

Mr. WINTERS: These are the things we like to concentrate on, yes.

Mr. WHELAN: Does this mean that we, in turn, accept their food products into Canada in greater quantity?

Mr. WINTERS: Well, our great endeavour would be to export; we all know we have to take imports but we would like to export.

Mr. WHELAN: I am only stressing this point. Mention was made of the places where we have trade offices now. I am thinking of northeastern Brazil where they produce sugar cane. We have been buying sugar from them for years. The way of life of these people who are producing this cane has not been better financially; it actually has been worse. Poverty reeks in that area more and more than it ever did and yet we pay higher prices for sugar but there is no benefit whatsoever going to these people who produce this product. I would think that somehow or other, if we are going to buy a product that is produced by slave labour and bring it back into this country, production of the same type of product in Canada should be protected against this type of operation because we certainly do not operate our industries this way in Canada.

Mr. WINTERS: We had a discussion on sugar prices a moment ago, Mr. Whelan, and I think we all agree that we should aim at paying a reasonable price for that product in developing countries.

Mr. WHELAN: Well I am speaking particularly of the agriculture industry. We have seen the sugar industry in Canada destroyed. I apologize, Mr. Chairman, for not being here earlier but I thought this would probably take place this morning. In southwestern Ontario at one time we had, I think it was, four or five refineries and we have one that may close now. This was a great thing for our agriculture industry in that area, so far as sugar beet production was concerned, and it has practically been annihilated, not to the advantage of the Canadian consumer but to the advantage of a very few people who import sugar and sell it to the Canadian people.

The CHAIRMAN: Perhaps your comments will be taken into account by the Minister for consideration of this problem.

Mr. BASFORD: Mr. Whelan should know that they do not grow tomatoes in Latin-America.

Mr. WHELAN: Well, we will not go into tomatoes but I know we are bringing them in from other countries into Canada, and they do not pay the wages that we do.

The CHAIRMAN: While the new rules permit members who are not on the Committee to come and ask questions and to take part in discussions subject to the direction of the Committee or the House I think, without asking for a formal decision of the Committee, there should be some priority given to members of the Committee who are prepared to continue the discussion at this time. I do think that we all thank Mr. Whelan for his very useful intervention at this point.

I think we have made very full use of our time this morning up until now. I would like to report to the Committee that at my request the committee clerk has arranged for a committee room every Tuesday to the end of June at eleven o'clock. I have requested her to make similar arrangements for Thursday mornings. Unfortunately, because of the very active work of committees this is impossible, but I would like to suggest to the Committee that since we now have the authority to sit while the House is sitting while we are considering these very important estimates that we make use of this authority and that we either meet this afternoon or this evening, if we can, or in any event to try to formulate some regular practice in sitting either Thursday afternoon or evening. I do not think we should necessarily have a discussion at this point. I had considered having a meeting of the steering committee on Thursday, if possible. Perhaps if you have any comment now on what we might do, at least for today, I would appreciate it. I might say in passing we do have an obligation to the House to continue as expeditiously as possible, subject to proper discussion and study, to complete our work on these estimates and report back to the House. I think we should use every opportunity, if I may say so, that is available to us.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What time do you propose to sit in the afternoon?

The CHAIRMAN: Well I thought we could meet at 3.45 or as soon as convenient after the orders of the day. Is that all right, Mr. Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes.

The CHAIRMAN: I hope that is satisfactory to those who are concerned with this general discussion. I think it would be useful both to us and to the Minister, who, I am sure, has many other responsibilities, to see if we can complete our first turn at it. As you know we are going to have that stood while we proceed to the specific votes and perhaps if we can continue at this point it would be very helpful to all concerned.

Mr. WINTERS: Well I will be available until shortly after five. I have to go to the annual meeting of the Export Credit Insurance Corporation.

The CHAIRMAN: Is it satisfactory to the Committee to continue after orders of the day today?

Mr. MONTEITH: It is today but it would not be on Thursday.

Mr. BASFORD: I will not be here.

The CHAIRMAN: Well it will be a great deprivation to the Committee, I am sure; there is no question of that.

There is just one other question. Do you think we should attempt to try to have the Committee meet Thursday night?

Mr. MONTEITH: Not this week.

The CHAIRMAN: Well we will have to give this matter further study. I think we all agree that we should press ahead as hard as we can.

We will meet in this same room at 3.45 or as soon thereafter as is convenient after completion of the orders of the day.

Mr. BASFORD: Mr. Chairman, the other day there was a private bill referred to this Committee to do with fire insurance.

The CHAIRMAN: Well I believe that it was the general instruction of the steering committee that we would have several private bills together.

The meeting is adjourned until this afternoon.

(Recorded by Electronic Apparatus)

AFTERNOON SITTING

TUESDAY, May 24, 1966.

● (3.30 p.m.)

The CHAIRMAN: Gentlemen, we have a quorum. I would like to call the Committee to order.

When we adjourned this morning we were continuing our general discussion based on item 1. I think that it would be appropriate at this time to call upon Mr. Lambert, who should have been called this morning but he had to attend a steering committee meeting of the Defence Committee.

Mr. LAMBERT: Mr. Chairman, last fall when I attended the general conference of the Commonwealth Parliamentary Association one of the subjects on the agenda, which is going to crop up again this year at the meeting in early October in Ottawa, was the problem of commodity stabilization and all the various agreements and conventions that concern commodity stabilization both as to price and as to quantity on the international basis. I am not talking about those which effect us internally. It is a problem that is really brought to the fore by the developing nations. Now, we are going to be strictly on the team, Mr. Minister, this fall here in Canada because the discussions that are indicated in the report of proceedings of the 11th Commonwealth Parliamentary Conference show that the majority of the developing nations are looking to Canada, Australia, Britain, and other of the developed countries of the Commonwealth regardless.

Now, we have at the present time negotiations going on with regard to the sugar agreement. We have been outside of this agreement for at least the last term of it that I know of. I do not believe we form part of the raw sugar convention. The officials indicate that we had and then someone misled us in Parliament two years ago when there was a very dramatic price increase in connection with sugar. It was indicated that because of the shortage at that time, and since we were not members of the sugar agreement, we were having to buy on the open market. It may be irrelevant, but we will come back to that problem. However, I noted the dissent to the proposition put forward.

I would like to get the thinking of the Minister in regard to this, the thinking of the government with regard to the cocoa agreement, which has some historical anachronisms with it, the raw rubber convention, to give it a name. We know the benefits to Canada of the wheat agreement. There are a number of others, and certainly a great number of the developing nations have made representations to either of the Minister's predecessors and certainly the officials have bumped into this time and time again at various conferences. Now after that preliminary statement, may I now get from the Minister his views with regard to this problem of commodity stabilization on the international level.

Mr. WINTERS: I do not know if my views will contribute very much, Mr. Lambert. Obviously, you have been up against this in the past ten years more than I have. There are a number of United Nations committees on trade development which are considering this. As I said this morning, the people who are a party to the sugar agreement are sitting now. I had a discussion with the Minister of Jamaica over the weekend and he was concerned about the price, as was I. The sugar price fluctuates quite badly and now it is low. It has been over the economic break even point for some countries. They are interested in selling their sugar at a price that would support their industry. Generally speaking, I think it would be our policy to try to support that kind of approach. We do with our wheat agreement now; the parties to the wheat agreement are trying to buy wheat within a range of prices described in the wheat agreement. I see no reason why that could not be contemplated with respect to other commodities. The Australians just made a deal with some of their developing countries on the matter of preferences and so on, which is all part and parcel of this arrangement. This is one of the more contentious and one of the most important items on the agenda at the Kennedy Round of negotiations. This is going to be important with respect to the West Indies—we were speaking about that this morning—because they are party to the preferential agreement under the Commonwealth agreement and anything that touches their preferential position is something they are very sensitive about. We have many of these positions to protect and to consider when we talk about world trade under the Kennedy Round of negotiations in which everyone is sort of going to give something away. How you do this on a world basis and still protect the position of the countries who have nothing to give away and, on the other hand, are looking for something more, is one of the great problems of the trading world today.

Mr. LAMBERT: The minister may remember that in 1964, I believe, there was a conference in Geneva by a group of developing nations from Africa primarily—but I think you might describe them as an Afro-Asian group—and out of this conference came the conclusion that they would seek from the developed countries confessions to the extent there would be a policy of self-denial of industrial development by the developed nations in order to assist developing nations to develop some sort of industry. The same views were expressed to some extent in Wellington last fall—not just as a sort of an aside but a very seriously developed thesis. For instance, one of the senior delegates from Malaysia indicated that he felt that countries like Canada should actually cut back on the production of artificial rubber so as to provide

a market for the natural rubber from Malaysia on which they are so dependent. Now, I think if the government has not formulated any views with regard to this, it is high time that some serious thinking be done. I am sure some has.

Mr. WINTERS: Oh yes.

Mr. LAMBERT: The problem is very pressing. The position of these countries is the same as Canada's when we talk about wheat.

● (4.00 p.m.)

Mr. WINTERS: Well our views are crystallizing and as you know we are going to come right up against this in June when we have a meeting of the Commonwealth trade ministers in London. But, it is not an easy problem. You mentioned rubber; there are other reasons for using synthetic rubber in addition to the availability of it. Technically, it has advantages in blending with natural rubber in some circumstances. But, there are people who say it is wrong for us to be producing sugar beet sugar in this country when so many of our trading partners have this as a natural crop.

An hon. MEMBER: Mr. Whalen would not say that.

Mr. WINTERS: But, you try to sell that to this Committee or outside—try to sell it in your province.

Mr. LAMBERT: Granted, but it is in this connection these developing countries say that developed countries must practice some form of self-denial.

Mr. WINTERS: Would you practice self-denial on your sugar beet producers?

Mr. LAMBERT: I know it is the easiest thing on earth to preach self-denial as long as the one who is doing it is the other fellow.

Mr. WINTERS: These are the tight ropes you have to walk in this field of international trade, where you give and where you take and it is a very difficult exercise. You can only come to a conclusion after a most detailed bargaining and consideration. I think the Commonwealth conference will be good and it is bound to be good for me because I will have an opportunity of discussing these problems, and we will take a position there naturally.

Mr. LAMBERT: With respect to the West Indies as an area of the Commonwealth, and one must also be very interested in this problem, do you think or does the government feel there might be a long run self interest in perhaps practising some form of commercial self-denial—

Mr. WINTERS: I think there would be, yes.

Mr. LAMBERT:—as to develop many of the economies in the West Indies which I feel would go to compliment Canada's own development. If we miss the boat here it will be almost criminal negligence so far as Canada's future is concerned.

Mr. WINTERS: I think so. You had to leave this morning Mr. Lambert during part of this discussion, but we did say we thought it made good common sense to contemplate an approach to the development of an area like the West Indies, if we did it in consultation. And, if before embarking upon a program of development they would consult with us and we with them, and then if it were mutually agreed that that program should go forward then we could perhaps assist in taking the products they produce. But, if they go

forward, not just the West Indies but anyone, blindly on a scattershot kind of development—which most developing countries think it is right and proper to do—then it is very hard to deny yourself in an area in which they are producing things they should not produce anyhow and that you can produce better.

I think if we go for co-ordination of our program, particularly in the Commonwealth, and more especially in an area so close to home as the West Indies and then we can, perhaps, contemplate the kind of self-denial that would make it possible. But here in some of these developing countries—we do not need to mention any of them, but you know them as well as I do because you have been on these trips—they try to produce everything, the most sophisticated goods and they are not in a position to do it. Then they come along and say they are producing this highly sophisticated assortment and why cannot they sell it on our market, when we produce it better and perhaps more cheaply. Just because they produce it is not a good enough reason to expect us to buy. I think we have to complement each other in this thing.

Mr. LAMBERT: Well, as my final comment in this area, Mr. Chairman, might I impress upon the Minister the necessity of making sure that within his department there appears sufficient memoranda in depth so that Canada's delegates to the C.P.A. conference here in October will be well and truly versed on this because when we were in Wellington many of us bumped into this, shall we say, almost as a new proposition. This is one of the difficulties of always sending new people to these conferences; there is a lack of continuity and successive administrations have been guilty of this.

Mr. WINTERS: Because everyone wants a trip.

Mr. LAMBERT: You make your choice as to your interest and then stay with it. Our delegates should be properly versed personally, not necessarily from the point of view of the government, because the C.P.A. conference is not one where people represent a government; they represent themselves. I think our delegates here on home base should put forward the best possible proposition.

Mr. WINTERS: Well sir, I will undertake to give the Committee all the information they wish to endure before going to the next meeting.

Mr. CASHIN: Mr. Chairman, I would just like to endorse what Mr. Lambert said about these conferences and make the comment that before I went on one of these trips I had the opposite view about continuity. Now that I have been on one I believe that Mr. Lambert and I and one or two others perhaps should go back.

The CHAIRMAN: Perhaps I could invite Mr. Lambert to continue his discussion.

Mr. LAMBERT: That is all I have in that particular area, but there is another area in which I would like to put some questions.

The CHAIRMAN: I do not know what the topic is but perhaps you would care to deal with it now.

Mr. LAMBERT: This is in a field that really was always under the Minister of Trade and Commerce. There may be a split jurisdiction now with the

Minister of Energy and Resources, I think he is going to be called. It is in connection with oil and gas; the reason I put it to the Minister of Trade and Commerce is that negotiations and the effect upon Canada's trade vis-à-vis the United States with regard to oil and gas are, I think, his direct concern. The local production of it may fall within the jurisdiction of his colleagues but the international impact of Canada's oil and gas is the Minister's direct concern.

I am concerned about the tendency to drift along with the current in so far as the national oil policy is concerned. I may be wrong here, but we see from time to time efforts by certain interests in the United States to have a cut-back on Canada's allocated markets with regard to oil, not so much with gas—as a matter of fact they would likely take much more gas than we are able to use—and I was wondering if the Minister could advise us what recent developments there may have been with regard to international trade in oil and gas.

Mr. WINTERS: Some people in the United States would like to get us on a formula which limits the right by which we can increase our penetration of the United States market. We have steadfastly refused to go on such a formula. We would rather be free to meet the market requirements that are available to us. This was one of the items on the agenda for discussion in Washington last March. We pressed very hard, successfully I think—I really do not know how entrenched the Americans were—and we reached an agreement at any rate that they would not impose a formula on us but that we would have access to the markets that were available to us within the limits of this overland agreement, and that is the way it is working. The oil policy which was started with your government has been very successful. The sale of oil to the United States and the production of oil in Canada has almost trebled, I think, since the quota of the oil production was established under the oil authority years ago. We intend to fight very hard to avoid any such limitations. We would like this to be a matter of economic determination and availability of Canadian sources of supply to the markets within the economic reach of our producers. So far we have succeeded.

Mr. LAMBERT: In addition to that though I saw a report the other day of what would be deemed to be a breach of the national oil policy in that some very, shall we say, low priced off-shore oil was brought in along the seaway to the Toronto area and they attempted to sell it at fire sale prices. These are some people who were, shall we say, astute and were trying to pick up a cargo of off-shore oil.

Mr. WINTERS: We are not aware of this. We are aware that various people have tried to bring oil into eastern Canada. The national oil policy I think applies only west of the Ottawa Valley and this is a free country to trade into. Other people can come if they wish and sell oil on the Canadian market. But so far we have been able to persuade our trading friends to use the same kind of voluntary restraint in this regard that we were speaking about this morning in respect of imports from the Orient. I know of no such oil that has come in recently. It has been talked about and it may have reached the press because certain people have been discussing this.

Mr. LAMBERT: Of course, your colleague, the Minister of National Revenue, has provision within the customs tariff to provide dumping duty on oil that is brought in. I know this was attempted in the past.

Mr. WINTERS: But only if it is dumping and that is not always easy to get at.

Mr. LAMBERT: No, but this was how it was effectively dealt with in the past.

Mr. WINTERS: Well, some of our trading parties do impose the kind of voluntary restraints we were talking about this morning, and I know of no such oil that has come in.

Mr. LAMBERT: Now, related to this is the question of the opposition in the United States at the federal power commission hearings to Trans-Canada pipe lines' application for a right of way through the northern United States to provide additional facilities to eastern Canada. Has the government done anything in its approach to the American government, since the major opposition seemed to come from a concern which wanted to hook onto the pipe line at the United States boundary in Manitoba, take the gas there and then supply central Canadian markets from sources in the United States; in other words, apply a continental policy but effectively tying up our gas distribution system. Has the government done anything in regard to this particular application other than perhaps having a watching brief.

Mr. WINTERS: I am not aware of any. I think the only application now concerning our oil interests and the Americans is the application of Trans-Canada Pipe Lines to bring a line through the United States into eastern Canada. There are certain interests who would like to divert the oil of the west. They can dedicate, as they call it, an equivalent amount of oil from their oil fields into eastern Canada—I mean gas. We are watching this very carefully. It is a private enterprise development in the United States and it has not yet come before the federal power authorities there. There has been no official government to government talks on it, but the Trans-Canada people have been talking to us about their interests. There have been some informal discussions between the appropriate people of the United States and our people here, but it has not yet come before the United States formally either through their own people down there or from us.

The CHAIRMAN: I think Mr. Macdonald is next.

Mr. MACDONALD (*Rosedale*): Just following on from the discussion about oil and gas. Was there any discussion with the American ministers at the ministerial meeting about access to the Montreal market by off shore producers?

Mr. WINTERS: No.

Mr. MACDONALD (*Rosedale*): There is nothing in the nature of a condition on the continued free access.

Mr. WINTERS: No.

Mr. MACDONALD (*Rosedale*): With regard to the Trans-Canada or other applications before the Federal Power Commission, have the Americans taken the standpoint that this is an independent agency which to a degree is beyond the control of the executive?

Mr. WINTERS: That has been the status so far, but whether they will take that position throughout the course of the hearings I cannot say. I suspect they will because it is their nature.

Mr. MACDONALD (*Rosedale*): Does the final order of the Federal Power Commission—and I should know this—require executive approval ultimately or is it law when it is handed down?

Mr. WINTERS: I do not believe this has to go before the Federal Power Commission at all. The inter-state commerce commission would perhaps have some jurisdiction because it crosses state borders. I do not think it has to go before the F.P.C.

Mr. MACDONALD (*Rosedale*): With regard to the International Commodity Agreement, cocoa is up for re-negotiation now. As I recall from the United Nations conference on trade and development, there was a suggestion that the regular national price level of the product—Mr. Lambert mentioned as a corollary the International Wheat Agreement—might be raised as an assistance to less developed countries. How would we enforce that from a Canadian standpoint. Does this mean direct control, presuming we did enter into such an agreement?

Mr. WINTERS: I am not sure that I am qualified to answer the first part of your question. Has there been a price factor in this cocoa agreement?

Mr. FLETCHER: If an agreement is reached there will be a price range is it, yes, similar to the price range that was in the International Wheat Agreement and that kind of thing.

● (4.15 p.m.)

Mr. LAMBERT: Would there not be a simple method of dealing with some of the problems in that period, particularly if the Commonwealth preference was extended to cocoa grown in all parts of that area rather than west of the Niger River or is it east of the Niger River? I forget on which of the two sides it is grown. But, there is this historical anachronism that 25 per cent or less of the cocoa grown in Nigeria is subject to Commonwealth preference.

Mr. FLETCHER: The Niger treaty, I think it is.

Mr. MACDONALD (*Rosedale*): Apart from that particular problem and assuming there is a general understanding by Canada to buy cocoa at an enhanced price, above a particular market, what would be the nature of the control we would have to carry out in this country to deliver—

Mr. WINTERS: We would have to work that out, Mr. Macdonald. I do not anticipate that we have government control on all imports, but I think we would have to see how it works in the hands of the people who are importing.

Mr. MACDONALD (*Rosedale*): Mr. Lambert referred to self-denial; this would inevitably involve an increase in domestic prices.

Mr. WINTERS: It would, if we agreed to buy at a price higher than we could otherwise get.

Mr. MONTEITH: I do not like to show my ignorance in this, Mr. Chairman, but I am looking for information. Just what were the objectives of the Kennedy Round?

Mr. WINTERS: Basically, the objectives are to cut costs in half, and where tariffs are less than 5 per cent they disappear altogether. That is basically their objective—across the board.

Mr. MONTEITH: Are there any results being achieved?

Mr. WINTERS: There has been nothing achieved yet, because we are all engaged in Geneva talking to each other. There are a lot of bilateral discussions between nations to establish a position with respect to various commodities, and while the United States has approached this thing on an across the board basis, very few other countries have. They have submitted with respect to commodities and their discussions have had to do with how they can improve their position and what other commodities they are going to throw on the table. Up until now you could not do very much because the E.E.C. had not been able to get together and decide on a common policy, and there was no one to speak for them. But, since the French has come back into the fold they have agreed to come back to the table they are getting their own position lined up amongst themselves, and I would expect the bargaining would start seriously almost immediately. There are serious discussions going on right now.

Mr. MONTEITH: What, generally speaking, has been Canada's position in the negotiations?

Mr. WINTERS: We have tabled an offer in which we have included a great many commodities, and we are being asked to alter and improve here and there just the same as we are asking other countries to alter and improve. This is the most complex re-negotiation ever undertaken anywhere in the world. You have to reserve positions here and there, and you have to protect different segments of your economy.

Mr. MONTEITH: I have one other question, Mr. Chairman. What is the situation with regard to trade with Cuba at the present time?

Mr. WINTERS: We are not trading very much with Cuba.

Mr. MONTEITH: What are our exports to Cuba? What have they been from the standpoint of money?

Mr. WINTERS: Not very much. Here is a report of Canadian trade with Cuba. In exports to Cuba, Canada last year exported \$52.6 million. In 1964 it was \$60.9 million and the year before that it was only \$16 million.

Mr. MONTEITH: What is the bulk of the big difference?

Mr. WINTERS: It was wheat and flour. We shipped some cattle, skim milk powder and fertilizer but, mostly it was wheat and flour.

Mr. MONTEITH: What are we importing primarily and in what quantities?

Mr. WINTERS: We imported roughly \$2.3 million worth of raw sugar in 1965. Then, there was fruit, vegetables and cigars. I think the 1963 imports were almost entirely made up of sugar.

Mr. IRVINE: May I ask, Mr. Chairman, for the total amount.

Mr. WINTERS: Of imports?

Mr. IRVINE: Yes.

Mr. WINTERS: Total amount of imports in 1965 was \$5.3 million; in 1964 it was \$3.5 million and in 1963 it was \$13 million.

Mr. MUNRO: Mr. Chairman, I intended to ask certain questions this morning of the Minister about American subsidiaries. It has been often said that subsidiaries of American corporations here in Canada are told not to export to certain markets abroad where American parent companies have interests or have other subsidiaries. I think we have all heard this said fairly often and I am wondering whether you or your officials have had any indication of this type of conduct on the part of subsidiaries here in Canada.

Mr. WINTERS: There is undoubtedly evidence of that—in good faith too, you know. Some of the parent companies set up subsidiaries here in Canada to produce a certain type of equipment which will be dedicated to a certain market and, “You stay out of that market.” But, generally speaking, there is a surprising amount of competition between subsidiaries in Canada and their parent companies. I know some that compete very briskly for the same market and Canadians seem to succeed very well in competing with their parent companies.

But, this one of the items we have put in the guiding principles is to ask them to export the things they can export and where they can do it, and to take full advantage of all developing opportunities to export.

Mr. MUNRO: On the basis of information the department has now on the breakdown of our exports related to many of these major subsidiaries, is there any way of determining just how great a factor this is?

Mr. WINTERS: Yes. I think the Dominion Bureau of Statistics had figures on that. They can give you the impact of our total trade and the amount of exports from subsidiaries in Canada. I have seen figures on that but perhaps they are guesses.

Mr. MACKLIN: They would be guesses at this point. I do not believe there is presently any information on the breakdown of exports from subsidiaries and other companies, but the information that is being obtained in the questionnaires now being sent out, would provide a breakdown of total sales domestically and to export markets. So this information for a large body of subsidiaries will be available when returns are received.

Mr. WINTERS: So what I have seen are just guesses.

The CHAIRMAN: The official who just spoke is Mr. Macklin, Director of the Economics Branch.

Mr. MUNRO: I take it from this comment then that there is no way that we could devise any general conclusions along these lines from a study of the exports from Canada on the basis of the figures we now have?

Mr. MACKLIN: No, this is based on customs returns; these are not divided on the basis of affiliation.

Mr. MUNRO: It has often been said that one of the behaviour patterns that seems to be emerging on the part of some leading subsidiaries in American corporations is that they favour American suppliers for parts and so on even if there are Canadian firms that are prepared to be competitive. I wonder if the Department of Trade and Commerce has had any experience with something like this?

Mr. WINTERS: I have no doubt that sometimes this is the case. Subsidiaries know the parent companies; they know what can be made available and they know the product. There is a tendency to turn toward a product you know. We are trying to discourage that. One of this important essentials of this automobile agreement is that they develop Canadian sources, and this is being done. This is one of the guiding principles to set forth. There is no doubt but that a lot of that is done. But, I believe that many of the subsidiaries are honestly looking for Canadian sources of supply.

The CHAIRMAN: If you do not have any more questions at this point, Mr. Munro, the next on my list is Mr. Clermont.

Mr. CLERMONT: Mr. Chairman, do we know how much Canada was affected by the 15 per cent surcharge imposed by Britain in 1964 which I understand was reduced to 10 per cent in April, 1965 and will be entirely withdrawn in November, 1966.

Mr. WINTERS: I do not know if we have quantitative figures on that, but we know it affected us. There is no doubt about that; I know it did affect us. I know that it is still affecting us.

Mr. CLERMONT: But, we have no estimates of figures or percentages?

Mr. FLETCHER: I do not think we have anything readily available, Mr. Chairman. We did an estimate, when the surcharge was first introduced, to calculate in terms of our trade in that year what aggregate of Canada's export might be affected. But, that was year one, so to speak. Because the surcharge has been diminished 5 per cent and now how has been projected in November to be eliminated, we have not maintained this because we realize it was only a temporary measure.

The CHAIRMAN: Mr. Clermont, would you yield to Mr. Lambert for one supplementary question.

Mr. CLERMONT: Yes, Mr. Chairman.

Mr. LAMBERT: I have seen a number of assertions to the effect that one of the reasons why the surcharges were being dropped, sort of on a gradual basis, to be phased out next November, was that they are not as effective as was hoped and they would be replaced by something else which would be rather more rigid. Now, this is a little disturbing, to say the least. Has anything come to the government's attention, either informally or in a formal way in this connection?

Mr. WINTERS: No sir. There is nothing I can tell you because I just do not know.

Mr. FLETCHER: One should also throw into the balance, Mr. Chairman, that Britain is a partner at the negotiations in the Kennedy Round too, where she is prepared to reduce tariffs in return for concessions received.

The CHAIRMAN: Mr. Clermont, would you like to proceed.

Mr. CLERMONT: Page 8 of the statement refers to selective promotional efforts. What is being done in this connection?

Mr. WINTERS: Well, we are trying to do more in terms of market analysis to try and determine where we can make our best efforts in various projects

and then concentrate on them in a selective basis, rather than do a scatter-shot.

Mr. CLERMONT: You mean selective products.

Mr. WINTERS: And selective markets too.

● (4.30 p.m.)

The CHAIRMAN: We have further members of the Committee who have not yet participated in the second round. I believe that Mr. Cashin has indicated he wishes to participate. Are there other members who wish to participate in the second general round of questions?

Mr. CASHIN: Mr. Winters, on page 32 of the annual report, reference is made to the suspension last fall of the importation of dried cod into Jamaica. This is apt to be a continuing problem and the reasons for this, I do not think, have substantially changed, lower production and increased demand. Are there any indications what the situation might be this year, or what steps might be taken?

Mr. WINTERS: As I understand it, we are shipping now to Jamaica.

Mr. CASHIN: As I understand it, there was considerable concern in Jamaica because although difficulties were resolved with regard to the price ceiling they have been able to pay for the importation of salt cod, I understand it is apt to be a continuing situation.

Mr. WINTERS: Have we had any reaction?

Mr. FLETCHER: Not recently, sir. We keep it under review.

Mr. CASHIN: On what basis? There was a three months' suspension and you mention in the report that an agreement was reached, permitting shipments to continue. What factors of any consequence came about that brought about the change with Jamaica?

Mr. WINTERS: I guess we just took it up with them, discussed it and asked them to reconsider, and they did so.

Mr. CASHIN: Were they not in a disadvantageous position in that they wanted the salt cod and nobody else could meet their price either? Was that the situation?

Mr. WINTERS: So far as I know that is the situation; salt cod is getting very hard to find.

Mr. CASHIN: I am just wondering about the possibilities of the loss of that market to some other salt fish producing country. I am wondering what information your department may have—and perhaps this question should be directed to someone in the Department of Fisheries—over the long term development of this market.

Mr. WINTERS: I think in the long term development will be satisfactory. Salt cod is quite a staple of diet down there, as you well know. But the production of salt cod in my part of Canada has been declining so much that the only salt cod we can get now is from you people in Newfoundland, and your production of salt cod is declining too. The problem is one of supply rather than of demand.

Mr. CASHIN: My real concern is that the Jamaicans may try to find another source of salt cod which does not seem too likely, or a substitute of some kind.

Mr. WINTERS: On the other hand they may develop their own fisheries there and find a substitute. At the moment it is a market for Canadian salt cod.

Mr. CASHIN: There is one other question I would like to ask you. Does your department make any projection—I am speaking specifically of fish, of world markets generally and what the trends are for salt water or fresh fish?

Mr. WINTERS: I would think we would. We should do but I will ask the officials to confirm that.

Mr. FLETCHER: Mr. Chairman, annually, trade commissioners around the world file a report with our agriculture and fisheries branch concerning the trends, the developments, the supply and demand picture, for all kinds of fish products in the territories where these trade commissioners are located. This information is collated in Ottawa and it is distributed widely to provincial departments of fisheries, to our own federal department, of course, and to the fisheries trade across the country.

Mr. CASHIN: My reason for asking this question—it really involves the Department of Fisheries and I hope to pursue it with that department—is that I believe in recent years the federal government has really had a conservative, with a small “c”, attitude to the possibilities of development in fisheries, perhaps based on the fact that a decade or more ago the problem was disposing of, for example, the salt cod production whereas today the industry has changed so rapidly and from some of the economic forecasts that I have seen it seems to me that the government has underestimated the growth of the fishing industry. One of the reasons for that, I should think, would be related to the possibility of selling the fish. In other words, the suggestion has been made in some quarters of the industry itself, not only in the government, that some concern has been expressed because of the present development taking place in Newfoundland, which may overextend or deplete the resource. I am concerned more with the overdevelopment which, from all the information I have been able to come across, is quite incorrect. I was wondering if your department was concerned about this.

Mr. WINTERS: If they are concerned with the development it is only because a great deal of development is coming quite suddenly. Over the long term there is no doubt in my mind that demand will easily take up available world supply, but I think the long term problem is that we will have to place more emphasis on conservation because there is a large scale development taking place at the present moment, and there is a little concern in the industry about the ability to market such a large production all at once. But over the long pull there is no concern about the finding of available markets for all the fish we can catch.

Mr. CASHIN: If I may say so—I did not have an opportunity to ask the Fisheries Council in the Fisheries estimates, so I may be cheating a little bit—I disagree completely with the fishing industry's attitude on that. I think that they are far too conservative. As I did not get a chance in the Fisheries Committee to put it on the record I just wanted to put it on here.

The CHAIRMAN: You are a little close to the line but I do not think you have gone over it yet.

Mr. CASHIN: Mr. Lambert has cautioned me to say that perhaps a better choice of words would be overly cautious instead of overly conservative.

The CHAIRMAN: Members of this Committee, we seem to have gone over Item 1 in a general way. May I suggest that we stand Item 1 for the time being and proceed to the specific votes. This was the understanding when we first began the estimates. The Minister will be invited back to deal with unanswered questions and matters which could be more appropriately dealt with by him. We will also be inviting the minister back to make a specific statement when we begin consideration of the specific vote on Expo.

I would like to suggest that since we appear to have exhausted our initial interest in the general aspect of Item 1 that we invite the Parliamentary secretary to take the minister's place, have Item 1 stood and proceed to Vote 5, Trade Commissioner Service.

Mr. WINTERS: Might I say that the other day when we met, Mr. Hees asked what we were doing to get the information about trade in various countries to the people in Canada who are going to produce the commodities which we trade. Mr. Fletcher has a statement and if the Committee wishes he would like to make the statement to show how this is done.

If you will excuse me I have to go down to this E.C.I.C. annual meeting.

The CHAIRMAN: Thank you very much, Mr. Winters; we will be inviting you back in due course.

Before we stand Item 1 perhaps it would be useful to put this answer on the record so that it can be gone into when we resume our general discussion on Item 1.

Mr. CLERMONT: Mr. Chairman, I move that the tables presented this morning in answer to Mr. Valade's question headed "Exports by status, stage of fabrication and imports by stage of fabrication" be appended to the official record of proceedings.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I second the motion.

Motion agreed to.

Mr. FLETCHER: Mr. Chairman, I will read this, if I may. At the first meeting the honourable George Hees asked how, in lieu of issuing a book similar to the one published in 1961 on his authority entitled "Market Opportunities Abroad for Canadian Businessmen", the department was now advising the Canadian business community about sales prospects in foreign markets.

The department gathers information about market opportunities abroad in two main ways. One way is through the receipt of enquiries for Canadian goods and services from potential foreign buyers. The other way is through the department's own market studies and promotional activity. Implicitly the department's operations are responsive when it deals with a trade enquiry but are generative in the second area.

In the matter of trade enquiries received from abroad, I must emphasize that a trade enquiry is a very specific thing. The foreign enquirer wants some-

thing in particular. For example, he does not want industrial chemicals; he wants, say, orthophosphoric acid. He does not want children's clothing; he wants infants' cotton dresses for summer wear of a certain quality for a prevailing retail price range. He does not want iron and steel products; he wants hot rolled sheet steel of a particular gauge, finished and width. This means that to be effective, the department has to deal with the enquiry in relation to its specifics and we, therefore, carry out a matching operation on a very selective basis. We locate the particular Canadian suppliers who can offer against a particular enquiry and put them in touch with the potential foreign buyer, following up until a decision has been taken. The processing of a trade enquiry depends on the department's knowledge of the exporting capabilities of Canadian suppliers. This information we amass from direct contact with individual Canadian firms and we incorporate it in our departmental exporters directory, a copy of which is held by each trade commissioner abroad. Reference to its data, which are maintained on a continual basis, enables an official to be precise when dealing with an enquiry. The square peg is matched to the square hole. In another metaphor, we use the rifle not the shotgun to ensure the best possible efficiency. And given the current high utilization of production capacities amongst Canadian firms, this kind of intensive processing of trade enquiries from abroad is all the more necessary to ensure positive results.

Over the years 1960 to 1965 inclusive, the department has processed the following numbers of trade enquiries lodged by foreign businessmen with our trade commissioner posts overseas. These totals are exclusive of enquiries that are received in various ways direct in Ottawa. Mr. Chairman, in 1960, 10,700 in round terms; in 1961, 12,600; in 1962, 12,800; in 1963, 14,500; in 1964, 12,800, and in 1965, 13,900.

Most enquiries received at trade commissioner posts are processed by the post concerned direct with appropriate Canadian suppliers where these are recorded in the departmental exporters directory. Otherwise, or at the discretion of trade commissioner, enquiries are referred to departmental headquarters for sourcing. Sourcing by Ottawa is additional search for a Canadian supplier and involves the department in contact with other federal departments interested, provincial departments of trade and industry, specialized trade associations and so on. When a source is located all the department's services and facilities are available to encourage the confirmation of the export sale.

● (4.45 p.m.)

Another variant of trade enquiry from abroad is the international calls for tender issued by institutions such as the World Bank or individual national procurement agencies. These enquiries generally relate to engineering services and capital goods. By standing arrangement with the World Bank, FAO, United Nations Special Fund, the NATO Procurement Agency, and so on, calls for tender come direct to Ottawa. Where the call originates with a specific national procurement agency it reaches the department via the relevant trade commissioner post. All these calls for tender are referred to Canadian engineering firms or manufacturers able to quote, and in the year 1965, for example,

1,108 such international calls for tender were distributed amongst the Canadian business community.

The second main source from which the department develops information about market opportunities abroad is its own promotional program. Foreign markets studies, for example, frequently lead to the initiating of export trade promotion activities by means of which the department disseminates advice about foreign sales prospects amongst Canadian business men. The various kinds of promotional activity can be mentioned briefly.

One continuing source of information is the day to day activity of the trade commissioner in his territory abroad as he calls on foreign firms, local government officials or files reports on markets opportunities direct to Canadian companies and to the department. The Committee may be interested in data which reflect these activities at our trade posts. The number of business interviews carried out by trade commissioners for the years 1960 to 1965 inclusive ranged from 83,000 to 106,000 in 1965.

Another means of publicizing market opportunities abroad is through the pages of the department's fortnightly magazine *Foreign Trade* and its counterpart *Commerce Extérieur*. Members of the Committee received sample copies of these two magazines in the information kit supplied. The combined circulation of these publications is about 4,800 and members of the Committee are referred to the indexes which I have here for the issues in January to June 1965 and July to December 1965, to grasp the range and variety of market information presented to readers. There are very many items in this index that are coded as "report on" something or other, a commodity or service, in a specific market.

Then, of course, there are the speeches and addresses made in public or before special audiences which officials of the department regularly deliver across Canada. The occasions range from participation in provincial trade department export promotion conferences, through meetings of chamber of commerce or Canadian Manufacturers Association export study groups to conventions of trade associations; some of these specialized in serving only members of a particular industry, others being general and serving business men in common such as the Canadian Export Association. In this context, mention should be made of the cross-Canada tours of the departmental officers in the course of which they have discussions with individual firms by design. These firms are of old or new acquaintance and the discussions relate to the general subject of exporting and the interest and the capacity of the firms concerned in specific overseas opportunities that are relevant to their particular interest.

Prominent amongst the department's generative activities are its programs of trade missions and participations in trade fairs abroad. In its sponsorship of outgoing trade missions the department sends to pre-determined foreign markets of special interest groups of selected business men, in each case drawn from a particular Canadian industry. These business men, as representatives of the entire industry, report on their findings and observations as to market opportunities abroad and the department publishes the report. In every case the report goes to all members of the industry in question via the department

or via the relevant industry association. In addition, copies go to all provincial departments of trade and industry, to the relevant trade and financial press and are available on request to any interested enquirer.

During the 1965-1966 fiscal year, the department sent out 12 such trade missions. Over all these missions visited 30 foreign countries. All reports have been released and distributed except for one that is still in the editing stage. In the current fiscal year 18 such outgoing missions will be organized.

The department's participation in trade fairs abroad represent hard sell efforts based upon convictions of sales prospects resulting from market studies. Most often we go into specialized one industry trade fairs with the exhibit composed of individual company product exhibits, manned by the companies concerned. The program of participation is widely publicized in advance, through press releases, publication in *Foreign Trade* and *Commerce extérieur*, publication in the Canadian Manufacturers Association's bulletin to its members and the Canadian Export Association's bulletin to its members. Through such media, along with the interested help of provincial departments of trade, specialized industry associations and the direct solicitation of Canadian companies by departmental officers, firms are invited to take part in the particular trade fair that is of interest to their product and commodities production. During 1965-66, there were 43 of these types of participations involving over 350 firms. In 1966-67 there will be 45 such exhibits involving close to 400 firms on present estimates. These trade fair exhibits tend by policy to stress markets in the industrialized countries most likely to buy our secondary manufactures. The participations cover a broad spectrum of Canadian industry, for example, commercial machinery and appliances, consumer goods, electronic and nuclear equipment, engineering equipment, food and agricultural products, forest products, furs, metals and minerals, textiles, clothing, and so on.

Variants of the outgoing trade mission and the trade fair exhibit abroad are the departmentally sponsored incoming trade missions and the so-called in store consumer goods promotions abroad. In the case of incoming missions, it is departmental policy to bring to Canada selected groups of prominent foreign buyers and government officials concerned with procurement in particular fields. These groups are given a first-hand tour around the Canadian industry involved to acquaint them with Canada's capacity to supply their needs. The program is developed in consultation with interested federal departments, provincial departments concerned and, of course, the trade itself. In 1965-66, ten such in-coming missions were arranged; examples are the housing program officials and the home builders from Germany and the Netherlands who studied Canada's building methods as a means of deciding whether our techniques could suit their requirements and with a view to deciding what of our lumber products and builder supplies could be used in their national housing program. Another example is the livestock breeders from commonwealth Caribbean countries who came to Canada to purchase cattle for the breed improvement programs in their respective countries. In 1966-67 there will be 12 of these in-coming missions.

The in-store consumer goods promotion is a fairly new technique in the department's operation. It consists of a concentrated promotion of a wide

variety of Canadian departmental store merchandise that is put on in a foreign departmental store. Three of these operations were staged in 1965-66 with mixed success. But based on the experience gained we propose five of them for 1966-67. In these efforts, provincial departments of trade and industry associations cooperate in getting the manufacturers of consumer goods to show their range of products in advance of the promotion to the visiting buyers from the foreign departmental store involved.

In line with its objective of reaching the right Canadian business man in connection with particular trade opportunities abroad, the department is working more and more closely with trade and industry associations in Canada. Encouragement is being given to the establishing of export committees in these trade associations to provide a focal point for the department's general contact with the mission or with the association membership.

Market surveys and periodical reports on developments abroad of interest to particular Canadian industries are a standing activity. The agricultural, fisheries and forest products industries in particular are examples of the Canadian economic sectors so serviced. In addition, the department has carried out specific studies of foreign sales prospects which has given rise to special promotion programs amongst particular sectors of Canadian industry. Examples are our parent-subsidiary case studies, the housing program in Britain and Western Europe as a means of promoting Canada's timber frame construction of home building with the subsequent sales of building supplies and lumber to Canadian standards; the project to find business in the United States especially for the products of Canadian iron and steel foundries; the encouragement of grouping for export where individual producers have inadequate capacity to fill export orders themselves; the study of world-wide demand for aerodrome equipment and apparatus; our work with Canadian consultants engineers to enhance their activities abroad; the study of export markets for components where complete assemblies have minimal sales prospects.

In the foregoing comment I have touched on the department's work in responding to trade enquiries from abroad and in generating trade promotion activities, both of which require dissemination of information about market opportunities amongst Canadian business men, but in specific terms to the right audience for effectiveness. The department complements these activities by compiling information about the capabilities of Canadian producers and manufacturers in particular industries. Such material is despatched to trade commissioners abroad and through them is distributed amongst the interested buying trades in foreign countries to the end that more enquiries may be evoked. Amongst its means in these respects are specialized booklets, and members of this Committee may recall the samples which were supplied in the information kit provided earlier. Another example is the *Canada Courier* which is sent to a select foreign audience totalling more than 60,000 recipients. A copy of this publication was also in the information kit, and I should emphasize, Mr. Chairman, that dependent upon the foreign market in which this booklet, the *Canada Courier*, is to be distributed it is, of course, prepared in the language of the business men of that foreign country.

Finally there are periodic commodity notes prepared by our commodities and industries services. These latter are a notification to trade commissioners of individual exporters' successes in specified markets, or the changing supply picture for products available from Canada. Thereby our officers in the field can be kept conversant with company successes that might have application in their own market and trends in the availability of goods and services from Canada. Reference must also be made again, at this point, to the central source of information by which trade commissioners are guided as to the capabilities of individual Canadian exporters, the departmental exporters directory. Naturally we are always seeking to broaden and deepen the content of the directory by adding more firms and by up-dating the information on firms already listed. It remains to convey a picture of our success in encouraging more export sales. In aggregate terms we estimate that we directly influence new business annually to the extent of several tens of millions of dollars, where we define new business as the first order earned by a particular Canadian firm in a specific market abroad, and where our definition of departmental influence is deemed to be substantial assistance by the department which has contributed to the closing of the deal by the Canadian seller and the foreign buyer. However, such estimates must be treated with understanding. In the long term sense our definition deliberately excludes repeat business, so we may be underestimating. On the other hand, many first transactions are single transactions and no repeat business follows. We think it impracticable to refine our estimates to take account of these factors and we use the aggregate values as a rough approximation only to indicate one measure of a year's work by the department.

● (5.00 p.m.)

We have prepared tabulations which are enclosures to this statement which reveal, by product sold and by foreign market penetrated, new business in the sense I have defined it, in which the department played a significant role, in the calendar years 1964 and 1965. In 1964, for example, we have approximately six pages of foolscap divided vertically so that we use each page twice, and we have shown here the commodities and the particular foreign markets penetrated for the first time by the company which supplied that product. Members are asked to take particular note of the variety of products and the range of markets. It is relevant, too, to mention the departmental records for the same years indicate the following number of new agencies any buying connections established in foreign markets by Canadian exporters with the help of the department. In 1960, for example, the figure was 813; in 1961, it was 1,562 and we go up to 1963 when there were 2,000—that was the year of the second Export Trade Promotion Conference, and in last year, 1965—the trend is increasing again—we reach 1,824 brand new buying connections or exclusive sales agencies abroad.

Other enclosures, Mr. Chairman, give examples of our export promotion efforts in dealing with trade enquiries from abroad or in developing opportunities abroad to illustrate the methods of the department. There are examples of export trade promotion efforts and there is an example of the product of a

survey we conducted about the prospects to sell Canadian engineering services in foreign markets.

In summation, it is the department's conviction that the dissemination of information about market opportunities abroad in response to a trade enquiry must be selective and preferably on a company to company basis because this is the most efficient way to promote trade in such an enquiry area. Dissemination of information about sales prospects abroad that stem from departmental promotional activities can be more generalized but because our efforts reflect a commodity and a market focus it is still best kept to the membership of the Canadian industry sector concerned for practical reasons. The publicizing of fully general information, which is without precise meaning for the individual Canadian business man where market opportunities abroad are concerned, is of minimal value.

The CHAIRMAN: Thank you, Mr. Fletcher.

Mr. FLETCHER: I have copies of this for all members, Mr. Chairman.

The CHAIRMAN: I would like to ask the chair to arrange to distribute copies of this statement as well as the annexes as soon as possible to the members of the Committee. So far as the annexes are concerned, after the members have taken a look at them, I will invite a motion or otherwise from the members whether they want the annexes to be incorporated in our official proceedings.

I am just wondering whether, at this time, we want to put some questions to Mr. Fletcher on the statement or to suspend Item 1 at this time and resume for detailed consideration of—

Mr. MONTEITH: Mr. Chairman, if I might just say one word on this statement, it has convinced me more than ever that the Department of Industry is an unnecessary luxury.

The CHAIRMAN: I am not saying that this is not an appropriate time to discuss this point but there may be more appropriate times when the estimates of the Department of Industry return either to the House or to the Committee.

Mr. MONTEITH: I quite appreciate that.

The CHAIRMAN: That being the case I wonder if the Committee would accept my suggestion that it would now be appropriate to stand Item 1 and before we adjourn we might begin consideration, at least, of the next formal vote, that on the Trade Commissioner Service. Does that seem agreeable?

Some hon. MEMBERS: Agreed.

Mr. FLETCHER: Will I have an opportunity to answer questions on Item 1 later?

The CHAIRMAN: Yes. The idea is that we want to, in effect, conclude our consideration of this department by coming back to Item 1 with the minister present to have the type of discussion which can be handled most appropriately with the minister present.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I would like to ask just one question, Mr. Fletcher, if I may. I was interested in your comments with regard to the delegation of German and Dutch construction people. We here have a certain personal interest in it. I had the pleasure of entertaining them

at my home on Vancouver Island and in my conversations with them it seemed to me they were still quite skeptical about the practicability of our frame construction in their countries. I was wondering if you have had any results from that visit.

Mr. FLETCHER: Yes, we have, Mr. Cameron. I think the clearest indication that I can provide, Mr. Chairman, is that in November of this year at the University of Delft, with the sponsorship in the background of the Netherlands housing authority, we are placing exhibits which indicate the technical aspect of Canadian frame construction and we are following this up with lectures by Canadian architects, builders, building code developers and all this sort of thing, at the request of the Netherlands government. We will be organizing a program of invitations which will bring to that three day seminar all the influential people in the construction industry in the Netherlands—we are talking about home building—and the building codes developers, everyone who could have an interest.

The CHAIRMAN: In all fairness to Mr. Clermont, perhaps if he has a general question he could put it at this time.

Mr. CLERMONT: No, Mr. Chairman. I intended to move that the statement and the appendices be made part of our proceedings.

The CHAIRMAN: We could do that now or would you want to wait until the Committee has had a look at it.

Mr. CLERMONT: Let us have a look at it.

The CHAIRMAN: Fine. Item 1, therefore, stands. What I propose to do is call each vote. If you have questions to ask or comments to make I expect you to raise your hands, otherwise I will ask that they be carried.

DEPARTMENT OF TRADE AND COMMERCE

Item 5—Trade Commissioner Service—Administration, Operation and Maintenance, \$8,179,000.

Mr. LAMBERT: There is one point on which I would like to elicit the assistance of the Minister of Trade and Commerce and that is the plea that I have made to the Secretary of State for External Affairs. In recent years it has been my privilege to visit a number of posts where we have trade commissioners. I have found that our trade commissioners as well as our foreign service officers have a private complaint in that it is very difficult for them to obtain up to date news from Canada by way of a cross section of our newspapers. They do get some but they are months out of date, and they are completely lost. The CBC's international service news bulletins are very summarized and do not give them the picture. I would think that with regard to trade possibilities and what have you that the representative daily press across the country that are reasonably up to date—and I realize there are difficulties about transportation—would be of immense value, not only to the Canadian representatives but also to provide assistance to Canadians calling on them seeking news or information. Now they are told, "We do not know". They ask you for news. I know it will cost some money but today we have facilities that frankly would be of very great assistance. For instance, we have

the C.B.C.'s international service. Our foreign posts do not seem to have the facilities to take down the broadcast on a dictaphone and have it transcribed for the next day. These things have to come by mail and yet we have representatives in other countries who make it a habit of listening to the C.B.C.'s international service because they say it is of high quality. They just plug in a dictaphone or tape recorder to the radio and then just transcribe it. I cannot think of anything simpler to help things along so far as our Canadian service and representation abroad is concerned. I have made this plea to our Secretary of State for External Affairs; I now make a plea to the Minister of Trade and Commerce to get on the ball with his colleague and help us out in this regard.

Mr. CANTIN: I would like to say to the Minister of Trade and Commerce that perhaps he could get in touch with the Treasury Board on that matter. I am sure it is just a question of expenses.

The CHAIRMAN: I see also that among the members of our Committee is the Parliamentary Secretary of the Secretary of State for External Affairs, and I am sure he listened to your comments with a great deal of interest.

Mr. MACDONALD (*Rosedale*): I have heard the comment before, Mr. Chairman; we are taking it under serious consideration.

The CHAIRMAN: You are starting to sound just like the minister.

Item agreed to.

The CHAIRMAN: I wonder if we can now consider beginning Vote 10, Exhibitions Branch?

DEPARTMENT OF TRADE AND COMMERCE

Item 10—Exhibitions Branch \$3,932,200

Mr. CLERMONT: I note that there is an increase of over \$1 million for participation in exhibitions and displays. Are most of these overseas exhibitions or what?

Mr. FLETCHER: Mr. Chairman, I am just looking up these data. The exhibitions commission in February 1964 became responsible for all exhibits required by federal agencies save for those of the Museum and the National Art Gallery in Canada as well as abroad. It has had to develop what it calls its Canadian division to look after the very sharp increase of exhibit workload that relates to activities in exhibits that are to be displayed in Canada. But over and beyond that there has also been an increase in the demand placed on it by other federal government departments as well as the Department of Trade and Commerce for exhibits abroad. Between these two forces, including the fact that it is playing a role in the development of the centennial caravans and the centennial train exhibits, its estimates have had to be increased very sharply.

Mr. LAMBERT: I was wondering what was the extent of the department's participation in the recent Northwest Trade Fair in Edmonton?

Mr. FLETCHER: At the request of the provincial department of trade, the department shared two adjoining booths, one of which was occupied by the provincial department and the other by the federal department, and there

we operated in conjunction with the provincial department. The working arrangement—the *modus operandi* if you wish—is that the provincial department turns over to our regional office in Edmonton all enquiries that relate to the export of goods and services outside of Alberta—that is, from Albertan firms to foreign markets because we have the overseas establishment, the posts around the world that can take care of this. The provincial department, on the other hand, concentrates its own activities on industrial development and licensing and manufacturing opportunities in the Albertan domestic economy.

We were at the Northwest Fair at the request of the provincial department because it wanted to have the total service available to interested businessmen. Does that answer your question?

● (5.15 p.m.)

Mr. LAMBERT: Yes, but I was a little puzzled by the nature of the Trade Fair. I found it a very interesting one but outside of participation by half a dozen foreign countries or representatives of organizations from half a dozen foreign countries, the exhibits were of a number of distributive agencies in the interested area handling in the main much equipment made in the United States, in Britain and what have you. But, the industrial firms in northern Alberta, which are actively participating in the export market, were really not there because—and here is where I want to get your view—the people who attend this trade fair were not those who were interested in buying those products; for instance, in the petrol chemical field there are various industrial chemicals and all of this type of product. The local market is not interested and, therefore, you would not see anything of the activities of these firms. Is this problem the same at all of the regional trade fairs in Canada?

Mr. FLETCHER: I think that you have placed your finger on a very significant point, sir. With the exception of the British Columbia International Trade Fair and the Montreal International Trade Fair which has not been staged for two or three years now, and with the exception of this Northwest Trade Fair which is in transition from a domestic fair to something that has an international flavour, most fairs in Canada are not the best vehicles through which to promote the export of Canadian goods and services. This is why, in our trade fair program, we do not go into trade fairs in Canada. We take the Canadian goods that we want to sell in a particular foreign market and place them on exhibit in that foreign market itself, in the midst of a concentration of the kind of buyer who ought to be interested in those products. It is the old merchandizing gambit, that you take the product to the consumer or to the buyer. In our experience, one of the problems of the former Canadian International Trade Fair, that was staged in the years immediately following the war, was to get foreign buyers to come that distance to see these products. So, our own efforts are always outward oriented, if I may use the expression, and we take Canadian goods and services in physical form to the foreign market and put them on display there. We think it is more effective and more efficient. But, in the case of these international trade fairs that exist in Canada in fact or in process of becoming really international we are prepared to be there in a modest way to represent the facilities and the services that our department can provide in foreign trade.

Item agreed to.

The CHAIRMAN: I would like to say to members of the Committee that I think we have made some very good progress today and I think it would be convenient if I suggested we adjourn.

Before we do so, I would like to say—and, I will ask the Clerk to send out notices about this,—that we should try to have a steering committee meeting Thursday perhaps for half an hour at the noon period. Also, I would like to suggest to the Committee that this week we deal with the specific votes that remain if possible, except for Expo and then perhaps our steering committee might make a report to the whole Committee some time before the end of the week on how we might organize our procedure for Expo. Would it be possible to have a meeting on Thursday afternoon or evening. It may be that we may not have a lengthy specific discussion on the two remaining votes, standards and the tourist bureau.

Mr. CLERMONT: Mr. Chairman, we should have one on Thursday afternoon, if it is possible.

The CHAIRMAN: Well, I will attempt to accommodate as broad a cross section of members as possible. I think it would be very useful to our work if we had at least one more meeting this week, preferably on Thursday.

Mr. MONTEITH: I just thought I would mention that it is perfectly all right with me to go ahead and have the Thursday meeting, but I would not be able to be here on Thursday afternoon.

The CHAIRMAN: We will do the best we can in that regard.

Mr. MONTEITH: What about the D.B.S. department?

The CHAIRMAN: It comes under the Minister and I think that I suggested to the Committee when we began these estimates that this had a separate place in the blue book. I have been informed that it has a separate status as a department. It might be convenient to deal with D.B.S. once we have completed the consideration of the estimates of the Department of Trade and Commerce and Expo.

Therefore, I will declare this meeting adjourned to the call of the Chair sometime on Thursday. The time will be announced, as soon as possible. You will also have notices of the steering committee meeting. Thank you very much.

APPENDIX "B"

EXPORTS BY STAGE OF FABRICATION

DOMINION BUREAU OF STATISTICS, EXTERNAL TRADE DIVISION, MAY 13, 1966

Calendar Year	To All Countries				To the United States				To the United Kingdom			
	Crude Mat.	Fabric. Mat.	End Prods.	Total	Crude Mat.	Fabric. Mat.	End Prods.	Total	Crude Mat.	Fabric. Mat.	End Prods.	Total
							millions of dollars					
1946.....	613	1,072	581	2,265	221	564	93	878	242	216	136	594
1947.....	674	1,485	590	2,748	221	716	89	1,026	310	325	112	747
1948.....	859	1,574	614	3,046	431	917	145	1,493	280	305	98	683
1949.....	1,004	1,447	518	2,969	422	919	158	1,499	361	265	76	702
1950.....	928	1,731	435	3,084	492	1,338	181	2,011	233	184	51	468
1951.....	1,221	2,143	518	3,882	601	1,444	286	2,281	265	337	27	630
1952.....	1,463	2,219	587	4,269	530	1,473	287	2,290	373	396	12	744
1953.....	1,408	2,110	568	4,086	539	1,542	321	2,402	344	287	22	663
1954.....	1,152	2,182	516	3,849	491	1,502	305	2,298	272	361	19	651
1955.....	1,262	2,519	465	4,247	566	1,709	261	2,536	325	427	15	768
1956.....	1,637	2,598	511	4,746	722	1,788	278	2,788	363	428	20	811
1957.....	1,085	2,551	543	4,779	865	1,694	277	2,837	308	395	18	721
1958.....	1,766	2,391	634	4,791	916	1,588	305	2,808	358	364	49	772
1959.....	1,805	2,624	593	5,022	916	1,802	365	3,083	362	372	51	786
1960.....	1,772	2,874	610	5,256	843	1,732	357	2,932	375	503	37	915
1961.....	2,132	2,916	706	5,755	890	1,794	423	3,107	384	479	46	909
1962.....	2,242	3,059	878	6,179	1,074	2,011	524	3,608	364	487	58	909
1963.....	2,490	3,265	1,043	6,799	1,065	2,111	591	3,766	430	510	67	1,007
1964.....	2,959	3,714	1,421	8,094	1,161	2,287	823	4,271	444	657	99	1,200
1965.....	2,975	3,924	1,604	8,523	1,257	2,530	1,052	4,839	464	628	83	1,174

Definitions: Crude materials; natural commodities not further processed than cleaned, sorted or concentrated (including crude foodstuffs and live animals), and the synthetic equivalents of some natural products.

Fabricated materials: all other commodities which have passed the preliminary stages of processing, and which are used chiefly as materials which will lose their identity in some later industrial process, and semi-processed foods.

End products: all processed commodities which will not lose their identity in some later industrial process (including manufactured parts for assembly), and fully processed foods.

All figures rounded independently; totals may therefore differ from sum of components.

Calendar Year	From All Countries			From the United States			From the United Kingdom					
	Crude Mat.	Fabric. Mat.	End Prods.	Total	Crude Mat.	Fabric. Mat.	End Prods.	Total	Crude Mat.	Fabric. Mat.	End Prods.	Total
1946.....	571	570	697	1,838	375	404	606	1,384	11	75	51	137
1947.....	691	822	1,028	2,541	462	589	899	1,950	14	86	84	184
1948.....	827	839	953	2,618	482	544	772	1,798	31	138	125	294
1949.....	773	856	1,086	2,714	452	584	880	1,915	28	127	148	302
1950.....	950	949	1,226	3,125	545	598	947	2,090	43	151	207	401
1951.....	1,129	1,238	1,638	4,005	594	806	1,352	2,752	55	171	189	415
1952.....	936	1,151	1,830	3,916	518	820	1,549	2,888	25	138	188	352
1953.....	895	1,218	2,135	4,248	466	865	1,784	3,115	35	168	243	445
1954.....	865	1,132	1,971	3,967	438	790	1,643	2,871	29	148	205	382
1955.....	961	1,312	2,295	4,568	472	918	1,941	3,331	33	154	206	393
1956.....	1,118	1,670	2,759	5,547	558	1,151	2,323	4,031	32	206	238	476
1957.....	1,115	1,669	2,689	5,473	548	1,149	2,191	3,887	32	208	267	507
1958.....	985	1,464	2,601	5,050	447	994	2,020	3,460	29	180	310	519
1959.....	1,029	1,551	2,928	5,509	468	1,014	2,227	3,709	32	190	367	589
1960.....	1,061	1,495	2,927	5,483	505	981	2,200	3,687	30	180	379	589
1961.....	1,109	1,557	3,103	5,769	540	1,007	2,317	3,864	33	173	412	618
1962.....	1,205	1,662	3,301	6,258	589	1,058	2,652	4,300	37	186	340	563
1963.....	1,302	1,820	3,436	6,558	627	1,117	2,701	4,445	43	177	307	527
1964.....	1,401	2,051	4,036	7,488	701	1,296	3,167	5,164	43	185	346	574
1965.....	1,455	2,325	4,853	8,633	754	1,467	3,824	6,045	47	195	377	619

DEFINITIONS: Crude materials: natural commodities not further processed than cleaned, sorted or concentrated (including crude foodstuffs and live animals), and the synthetic equivalents of some natural products.

Fabricated materials: all other commodities which have passed the preliminary stages of processing, and which are used chiefly as materials which will lose their identity in some later industrial process, and semi-processed foods.

End products: all processed commodities which will not lose their identity in some later industrial process (including manufactured parts for assembly), and fully processed foods.

All figures rounded independently; totals may therefore differ from sum of components.

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

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and/or a translation into English of the French.

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

THURSDAY, MAY 26, 1966

Respecting

Main Estimates, 1966-67, Department of Trade and Commerce

INCLUDING EIGHTH REPORT TO THE HOUSE

WITNESSES:

J. H. Warren, Deputy Minister, Department of Trade and Commerce;
Dan Wallace, Director, Canadian Government Travel Bureau.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,	Comtois,	Lewis,
Basford,	Flemming,	Macdonald (<i>Rosedale</i>),
Cameron (<i>Nanaimo-</i>	Grégoire,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Hees,	Monteith,
Cashin,	Irvine,	More (<i>Regina City</i>),
Chrétien,	Lambert,	Munro,
Clermont,	Lamontagne,	Stafford,
Coates,	Leboe,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

ORDER OF REFERENCE

THURSDAY, May 26, 1966.

Ordered,—That the Standing Committee on Finance, Trade and Economic Affairs be granted leave to meet in Montreal on Tuesday, May 31, 1966 (or such other date as circumstances may require) for the purpose of visiting the site and examining officials of Expo '67; and that the Clerk of the Committee accompany the Committee to Montreal.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORT TO THE HOUSE

MAY 26, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

EIGHTH REPORT

Your Committee recommends:

1—That it be granted leave to meet in Montreal on Tuesday, May 31, 1966 (or such other date as circumstances may require) for the purpose of visiting the site and examining officials of Expo 67;

2—That the Clerk of the Committee accompany the Committee to Montreal.

Respectfully submitted,

HERB GRAY,
Chairman.

(Concurred—May 26, 1966)

MINUTES OF PROCEEDINGS

THURSDAY, May 26, 1966.
(13)

The Standing Committee on Finance, Trade and Economic Affairs met at 4.10 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Basford, Clermont, Coates, Comtois, Gray Laflamme, Lambert, Lamontagne, McLean (*Charlotte*), More (*Regina City*), Munro (11).

In attendance: Mr. J. C. Cantin, Parliamentary Secretary to the Minister of Trade and Commerce: *From the Department of Trade and Commerce:* Messrs. J. H. Warren, Deputy Minister; T. R. G. Fletcher, Assistant Deputy Minister; L. J. Rodger, Comptroller-Secretary; Dan Wallace, Director, Canadian Government Travel Bureau; D. Palmer and D. C. Bythell, Canadian Government Travel Bureau.

The Chairman presented the Second Report of the Sub-Committee on Agenda and Procedure, dated May 26, 1966, which is as follows:

Your Sub-Committee on Agenda and Procedure met at 1.00 p.m. this day and has agreed to recommend as follows:

- (a) That permission be sought from the House for the Committee to meet in Montreal on Tuesday, May 31, 1966 (or such other date as circumstance may require) for the purpose of visiting the site and examining officials of Expo 67;
- (b) That the Clerk of the Committee accompany the Committee to Montreal;
- (c) That reasonable travelling and living expenses of the staff in attendance be defrayed out of public funds;
- (d) That the Estimates of the Dominion Bureau of Statistics be studied by the Committee on completion of the Departmental Estimates;
- (e) That on Tuesday, June 14th, the Committee consider the three Private Bills which now stand referred to the Committee, and such other private bills as may be referred to it before that date.

On motion of Mr. Clermont, seconded by Mr. Comtois, the report of the subcommittee was approved.

The Committee resumed consideration of the Estimates of the Department of Trade and Commerce and the Chairman called Item 15:

Canadian Government Travel Bureau—\$9,825,000 and invited Mr. Wallace to make a statement regarding operations of the Travel Bureau.

Following Mr. Wallace's statement, Mr. Wallace and Mr. Warren were questioned.

Item 15 was approved.

At 5.35 p.m. the Committee adjourned to the call of the Chair.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by electronic apparatus)

THURSDAY, May 26, 1966.

● (4.00 p.m.)

The CHAIRMAN: I call the meeting of the Committee to order. First, I would like to present to the Committee a report of the sub-committee on an agenda and procedure.

(See Minutes of Proceedings.)

Before asking for discussion on the report I would ask for a motion to approve it which will permit formal discussion. Moved by Mr. Clermont seconded by Mr. Comtois. Perhaps I should inform the Committee that just before we began our meeting I spoke to Mr. Kniewasser the General Manager of Expo 67 on the phone and he informed me that Mr. Shaw the deputy commissioner would be unable to be in Montreal on that date, and I presume that he would be one of the key people the Committee would like to hear from. He does however have clear Wednesday and Thursday of this week and the Committee may wish to consider whether this report which we will be submitting to the House with respect to permission to sit should be amended, or whether it is sufficiently flexible the way it is worded.

Mr. MORE: The report recommend May 31. Could that be changed to May 31 or other suitable date?

The CHAIRMAN: "Or such other date as circumstances may require." My intention, of course, is to try and work out something that will accommodate as far as possible, first of all, the members of the Committee and, secondly, those whom we may wish to hear on this vital question. Is there any discussion on this report.

Mr. LAMBERT: Mr. Chairman I think that in the light of commitments that other members have with other committees it would be better to have it on Wednesday. This I admit will cause some difficulties with caucus but members have always found it possible to miss caucus occasionally, every party knows which ones go to caucus and which ones do not. My view is that we should endeavour to make it Wednesday rather than Thursday, which would cause the least clash other commitments here.

The CHAIRMAN: Would you care to amend the report to insert Wednesday June 1 instead of May 31 as a sort of formal indication of the wish of the committee subject to exigencies.

Mr. COATES: I am committed to go somewhere else on Wednesday. I cannot be there. I am pretty interested in making the trip.

The CHAIRMAN: I feel we should make a special effort to have those members of the committee from whatever party is taking particular interest in Expo along on this session I think that is vital.

Mr. BASFORD: Mr. Chairman, are you not authorized by your report to go on Tuesday or such other day as may be required; and surely you should canvass the members to see which day you would get the greatest attendance.

Mr. WARREN (*Deputy-Minister of Trade Commerce*): My comments will be informal; I am not a member of your committee. Presumably in the absence of Mr. Shaw you would have Mr. Kniewasser there and other senior officials of Expo. It is a matter obviously for the Committee whether your arrangements have to coincide with Mr. Shaw's.

The CHAIRMAN: It is usually the reverse but the point is we want to hear the people who—

Mr. WARREN: The Minister does have Tuesday free for this purpose. He does have engagements on Wednesday and Thursday.

The CHAIRMAN: Are there any other comments on any other portion of the report dealing with the other items besides Expo. All in favour of the motion to adopt this report. Motion agreed to.

I will ask our clerk to prepare the necessary report to the House. Now, we are resuming our consideration of the estimates of the Department of Trade and Commerce. The net portion of the estimates before us is vote 15 Canadian Government Travel Bureau. I am going to call the vote and then I am going to invite the director who is with us to make any preliminary comments, if he desires to do so, otherwise we will proceed directly to questions and discussion and if there is none I will ask if the vote carries. Vote 15 Canadian Government Travel Bureau.

Department of Trade and Commerce

15. Canadian Government Travel Bureau—To assist in promoting the tourist business in Canada including a grant of \$55,000 to the Canadian Tourist Association, \$9,825,000.

Mr. Dan WALLACE (*Director Canadian Government Travel Bureau*): Mr. Chairman, it might be useful to the committee to outline briefly the background of the last couple of years against which you might consider these estimates. This year, of course, there is a very substantial increase in the budget for the travel bureau, a matter of \$2 million; and in addition there sitting in our budget as a special thing—we are custodians for this amount—an additional \$1.5 million for centennial advertising abroad. The authority will be in the hands of the Centennial commission. We will manage the account.

We had 900,000 travel inquiries. In this current year our budget is 250 people. I might also say that in 1961 we had three offices. We now have 20. We have 250 people now against 100. Our budget this year is—our own budget apart from the centennial—advertising is \$8.3 million compared with \$3 million and we expect at the rate things are going now that our travel inquiries this year will total 1,750,000 compared with 900,000 five years ago. I might say that this, of course, will be a record for us, but no organization of our sort in the world

handles anything approaching 1.75 million travel inquiries. But, of course, we are living next door to the United States, the world's biggest and best travel market and we must think in rather large terms.

Now, it might be of interest to you if I mentioned briefly a few new initiatives apart from the things we have been doing for some years because this organization started way back in 1934, and over the years we have developed a number of quite effective, I think fairly effective, techniques. It is only recently, as a matter of fact just over this last year that we very rapidly increased our offices abroad particularly of course in the United States. When we started the year last year we had eight offices, we now have 20, so this has been a year of considerable expansion. We have of course in front of us the target, the opportunity presented by 1967, and we felt that we should really take advantage of this unparalleled chance to raise our sights right across the line, and of course with us the provinces, the cities, private industry, to move this industry which last year brought into Canada \$737 million, to get it this year into the \$800 million area, and next year with the aid of the centenary events and of course Expo '67, the Pan American games, to move across the \$1 billion line. We are certainly hopeful on our side, and this is certainly the feeling of our bosses in the Department and in the Government, that we should not be satisfied then to slip back off the billion dollar plateau but to start work over the next ten years to achieve a figure which should be at least twice that. In defence of that ambition I might say—the Deputy Minister always looks at me a little dubiously at this point—that the present projection of population in our best market, the United States, is for in the next 15 years an additional 50 million people who will have available for spending an additional \$500 billion a year, and we should surely be able to get a little slice of that. Because we are next door, we have unparalleled vacation opportunities and we have in summertime, and certainly in wintertime, as far as winter sports are concerned, a wonderful range of attractions that very much appeal to Americans.

We are appealing these days more and more to people from other parts of the world. In recent years the business from the United States has been increasing at a very healthy rate, at the rate of about 10 per cent a year. From overseas, however, where we only really began work as far as we are concerned in 1962, with an office in London, we now have offices in London, Paris, Amsterdam and Frankfurt. The rate of increase is running at 20 per cent a year—very healthy. We had hoped next year in our targets for '67 to achieve an income of \$100 million by next year, but last year it moved up to \$87 million and I think this year it is very likely we will achieve our target a year ahead of time; that is all to the good. There are one or two initiatives that have been new not only for us but perhaps new in this area of promotion in the world. You may have read in one or two recent articles about our techniques over the last several years. We have increasingly moved into the area of automatic handling of mail, because we are dealing now in such large quantities. I might tell you that on Easter Tuesday, that is, after the long week end, our mail totalled 33,400 and on one day last week we sent out 30,000 packages. This is quite a little operation, and at any time any of you would like to visit the plant we would be most happy to show you around. Next week we will be showing our plant to the Canadian public relations people who are meeting here because it is an example of direct mail which is in Canada quite unusual.

I just might show you something. This would represent one of the mailings, well apart from day to day correspondence. We are starting in the next few days a mailing to two million American households. This is a rapid extension of our direct mail approach to travel, in addition to advertising and publicity and to our office operations. There is the letter, it is addressed individually. It comes off a machine at a fantastic rate, and this is a very interesting use of a computer. These letters that you see here take two seconds each to type. The machine can produce 1,650 an hour. A cheque writer will put my signature on them. I think I am beginning to rival Mr. Rasminsky for signatures; in any event, we are getting a very good response. These are individually composed, very often different paragraphs put together, but they do answer the particular question and they are personalized and they are getting a very good response.

We have seen in recent weeks an unprecedented number of thank you letters, saying that they very much appreciate the individual attention that they are getting and we are dealing here with our American context. About 90 per cent of our effort is still directed to the United States.

Well, I have mentioned 1967. I should say that we are working extremely closely with Expo and with the Centennial Commission. We feel that jointly we can achieve a lot of very interesting projects. It might interest you to know particularly—it is currently under way, and if any of you are in New York in the next several weeks you might like to drop in and visit this—that we have with Expo, with the Centennial, with Air Canada, with Hertz, with several of the provinces, mounted a very large show in Macey's store, as you know, the world's biggest store. Many of the windows in that huge block in the centre of New York are Canadian windows now, with Canadian posters, and you will see in New York papers several of these full page advertisements placed by Macey's, supported by us, supported by Air Canada, supported by Hertz of Canada, supported by one or two other agencies and, they will say "Macey's explores Canada, north, south, east, west; see Expo '67; Canada Today, Expo '67, Canada Today, Macey's explores Canada, Macey's explores Canada", and it will cover the whole range of Canadian life, a great big full page ad. This will cost us something in the order of \$14,000 and get us advertising space we would regard as worth about \$40,000. It is a very good co-operative deal, where we are working with our companions in arms to make a great success of next year, as well as of this year.

I might say at this point that, looking at our operation, we feel that it is sensible to spend the money we are spending on promotion, even though year after year we are recommending increased expenditure, because we believe that the harvest is very closely related to the amount of seed that is sown, and we have found, in looking at other countries in the world where tourism is taken very seriously now, that over \$11 billion moves between countries by visitors. We find that if we could achieve a benefit-cost ratio of 50 or maybe a 100 to one we should be quite happy. At the moment we are of the order of a 100 to one, so there is still an untapped area of opportunity. Until we get down to about 50 to one we are not beginning to sort of come to the law of diminishing returns. So our future here looks very good. We have at the moment a slight international deficit and I feel that shortly—I hope next year—it will become a

plus and from then on we should not be headed; we should in the future be able to foresee our travel income offsetting travel expenditures to the extent of, I hope, some hundreds of millions.

In any event, as far as 1966 is concerned, and I have been travelling quite a bit recently in this country, everywhere I go I have trouble in getting a hotel room, which is very interesting in April and in May. Air Canada, CPA reports unusual pressures on their facilities. It looks like a tremendous year and I feel it is therefore going to be all the easier to take off for the \$1 billion target next year because I feel that we are closing in this year on that target, and that the gap will be something less than \$200 million to cover the tourist plant.

I should say something about the provinces and their efforts. They are all managing promotion programs at record levels. We work very very closely together and this is very much a day to day thing. I think altogether travel promotion in Canada is at its highest level ever. The plant is in quite good shape. Every year it is getting bigger and every year it is getting better. The quality of services is improving. I think we can feel quite optimistic about the present status of our travel industry very cheerful about the future. Thank you very much, sir.

The CHAIRMAN: Thank you very much Mr. Wallace. The first name I have on my list is Mr. Clermont; then I have Mr. Lambert, and Mr. Basford, and if there are others who have questions would they signify in the usual manner.

Mr. CLERMONT: Mr. Chairman, the gentleman that just spoke mentioned that Commerce opened 12 new offices in 1965. Are most of them in the States or in continental Europe.

Mr. WALLACE: Last year at this time there were five in the United States and we have since opened nine more, so we now have 14 in the United States. We have also opened an office in Mexico and one in Japan and one in the Netherlands since last year.

Mr. CLERMONT: Could you name one or two that you opened in the States.

Mr. WALLACE: Yes, the ones that we have recently opened would be, Rochester, Cincinnati, Cleveland, Detroit, Indianapolis, Seattle, Philadelphia and Boston, and that covers them.

(Translation)

Mr. CLERMONT: Mr. Chairman, there are two items under vote 15 which were not there in 1964-1965, including one for \$250,000 for interprovincial advertising. What will be the general direction of that advertising? Will it be done in Canada or outside this country?

(English)

Mr. WALLACE: If I might answer in English, sir, the purpose of the federal bureau is, of course, primarily to bring travel to Canada; but last year for the first time, with the approval of the government and treasury board, we did set aside \$190,000 of our advertising moneys in order to encourage the provinces to do more travel advertising in Canada in order to encourage more travel in Canada. Our feeling there was to strengthen the home operation. This year we have raised this figure to \$250,000. I might say that we have had unanimous

agreement from the provinces on the wisdom of this move and at the end of last year all of the provinces reported that they felt that the \$190,000 that we invested, which was matched by \$190,000 from the provinces in round figures—which had the effect of increasing the total advertising in Canada by 50 per cent last year over the year before—had a really tremendously stimulating effect and that the level of travel inside Canada was higher than ever before, which is very good for Canadian restaurants, Canadian hotels and Canadian operations in the tourist field.

Mr. CLERMONT: But you said in 1964-65 you had \$190,000.

Mr. WALLACE: The last fiscal year 1965-1966, last year.

Mr. CLERMONT: Yes, '65-'66, but in which item does this come?

Mr. WALLACE: I am sorry, sir, last year it was in our general advertising budget. This year we felt that this was such a useful program we should set it out separately and give it a separate status, and that is why this year you see \$250,000, but last year we did have \$190,000 out of our general total.

● (4.30 p.m.)

Mr. CLERMONT: And also you mention in your remarks that the sum of \$1,500,000 was put aside for Centennial.

Mr. WALLACE: That is in this current fiscal year and the program. Our feeling there, with the concurrence of the Centennial Commission, is that we would manage the account and they would decide the theme, and so on. It would not be strictly travel. It would, of course, be broadly directed to tell the world about Canada, about Canadian immigration opportunities, about trade opportunities as well as travel opportunities.

Mr. CLERMONT: Was such a program on in 1965-6?

Mr. WALLACE: Not last year, this is a new program.

The CHAIRMAN: Is this an external program or—

Mr. WALLACE: External only, yes, abroad, to tell the world about Canada and her birthday party.

Mr. LAMBERT: My question follows that developed by Mr. Clermont in regard to the quantum and quality of advertising by the Canadian Travel Bureau for national travel as against international travel. How much liaison is there with the provinces in regard to this particular travel? We know each province, of course, endeavours to draw to its facilities and its attractions, tourists not only from abroad but from in Canada; how much co-ordination do you do with them in this regard?

Mr. WALLACE: I would say, Mr. Lambert, that it is a day to day thing of course, but there are two formal occasions in the year, particularly the federal-provincial conference which takes place late in November of every year, and on that occasion we table our entire program and we invite the provinces in turn to tell us what they are planning to do. We talk about the themes, the approaches. Of course, a good deal of our conversation then is directed to how we are going to attract more Americans and more people from around the world and not as much talk is given to how, let us say, Alberta is going to attract people from British Columbia because that is more of a home problem; but there is another occasion and this is the annual convention of the Canadian

Tourist Association which represents both government and private industry. There I would say the provinces give more time to reporting on how they are developing their own particular programs to develop travel in Canada. It is the Canadian Tourist Association that is dedicated to the "Know Canada Better". Their interest is primarily, or at least heavily, in trying to develop travel from province to province. So I would say that in the course of a year there are several altogether, say, five or six days given over to committee discussions, but I can assure you that this is very much a matter of day to day on the phone, visits back and forth, and we work I think very much hand in glove in this.

Mr. LAMBERT: The reason I am asking that is that you indicated you anticipate in this coming year or your target is somewhat over \$800 millions of foreign tourist expenditure in Canada. Canada has always had the problem of imbalance, or the occasions have been rather rare when we have had a favourable balance of tourist account, and I was wondering just to what extent the efforts of the Canadian Travel Bureau were directed toward the other aspects of restoring a balance? It is a negative way in a way, in that you encourage Canadians to travel within the country rather than go abroad, and this is in conjunction with the provinces. I am wondering just how much there is done in this regard. To me it is a very important thing that at least one year out of two or one year out of three Canadians should travel in Canada rather than abroad.

Mr. WALLACE: Well, we very much feel certainly that it is a shame, in fact, it seems almost nonsensical for Canadians to see the world and not see their own country which is a world in itself, and which is right next door; but from the beginning of this operation of this federal bureau back in 1934 it has traditionally concentrated on getting people into Canada, and it has left it largely to the provinces in recent years to get people to move up and down Canada. Now, last year, as I say, we did decide that we perhaps should do something more positive than just suggestions and so on; we did invest \$190,000 with this very much in mind that the \$600,000 or so that was being spent on travel advertising to induce Canadians to travel in Canada was simply not big enough, and by the infusion of our money we brought this up to a million dollars by encouraging the provinces to match us, and this year we have increased our efforts a little more, up to \$250,000. We feel that this is a positive contribution, and I think gentlemen that you would agree, if you look at, say, the *Toronto Globe and Mail* and the Ottawa papers and so on, you will see for the first time last year and this year,—I think for the first time—advertisements appearing from British Columbia, saying "Come to British Columbia." You have been seeing advertisements for sometime, coming from the Atlantic provinces. It is very recent that the western provinces have begun aggressively to advertise in the central part of the country and I think you will see more Quebec advertisements in Ontario papers and more Ontario advertisements in Quebec papers and more publicity, too. We feel this is the thing. You know we have been encouraging this and we feel this is a great help to development.

Mr. LAMBERT: Well, I hope you have rather more success than you have had in the past in convincing certain provinces, rather than all this trying to sell themselves abroad, they try to sell themselves at home. I do not know,

Canadians seem to be somewhat dubious about their own qualities and attractions and yet this is something that is a step forward. Now, related to that, how much pressure does the Canadian Travel Bureau try to exert on people such as the National Parks Branch whose record in the past number of years with regard to tourist facilities has been distinguished by dragging feet, and I say that with a certain emphasis.

Mr. WALLACE: We have, sir, a certain responsibility in this field. Parks policy, of course, is not our responsibility but we do have a responsibility and have had for some years to promote the parks. The promotion material is produced by us and sent out by us and I might say that maybe in the past I on occasion have been a little bit despondent in this area; but I had a talk of a couple of hours the other day with one of the very senior park departmental people that are in charge of park policy, and I must say I came away from that very much encouraged. They have development programs either announced or in the consideration stage that to me look rather exciting. Their plans, particularly for the national historic parks, are very exciting. I have seen some of them in operation, as for example, in Louisburg in Nova Scotia. I think that the development that is planned for Lake Louise, from what I know of it—I hope to be in Banff tonight—will be one of the show places of the world. I agree that there are problems here and the problem, of course, basically is that last year they had to handle ten million people, which is a lot more than they had a couple of years ago. They I think are facing up to the fact that they are not going to stop at \$10 million; one of these days it is going to be 20 million and then 30 million and they have to think ahead for that. I am certainly very eager to encourage them to think ahead, because we regard the national parks as the jewels in our crown in two ways—not only are they magnificent places to visit, but they are show places. If you are trying to talk about Canada, to use examples like Banff and Lake Louise and Jasper, and so on, and the other beautiful parks that we have, is to dramatise what Canada has to offer in the way of scenery, variety and natural beauty and so on; so we are very much interested in the parks.

Mr. LAMBERT: Yes, but what I am concerned with is also the pressures that bear on such people. Today's traveller in the national parks is a sophisticated traveller, certainly the ones in Jasper and Banff; they are not prepared to put up with basement rooms and private rooms in homes or little cabins on the back part of the lot. There are an awful lot of these. There has been some improvement in good motel facilities. The prices are high, but when you are talking about the problems of last year—the 10 million—I could tell you that the problems were indeed legion and monumental and I think we did ourselves a great deal of disservice, because there is nothing like the tourist who has not been able to get housed to go away and grumble. You can spend thousands of dollars and you will not even counteract what the grumbling, dissatisfied tourist has to say. I find it rather strange that the parks people give you the impression that they are going to handle 20-30 million when their senior officials in speeches say that it is their duty as administrators to determine the point of saturation for the public using the national parks. There is a blatant contradiction in those two positions. I come from Alberta where the national

parks occupy almost a monopoly of the major scenery of the country and we naturally are very worried about what we quite openly say are dragging feet in regard to the development of proper facilities to receive people in these national parks.

These national parks are not half-day affairs. You do not travel along the Trans-Canada Highway to those various national parks merely at a low flying speed. You want people to stop and they must live and they are prepared to live well and comfortably, so I hope that the Canadian Travel Bureau is not going to suffer from frustration with regard to this delay. Now, the same thing applies to Air Canada and to the national railways. There is no point in trying to attract people to Canada in large numbers if they are not to be catered to. The same thing applied last year to Air Canada. I hope you get after them and beat their tails. The number of flights that they put into Calgary and Edmonton in the summer season is ridiculous. I have raised my point, but this is where I would like to get the pressure from the travel bureau; otherwise the travel bureau is just pouring money down the drain.

The CHAIRMAN: Perhaps Mr. Lambert, Mr. Wallace as head of the travel promotion function of the department has noted your very firm comment and will be in a position to deal with these matters in any departmental discussions.

Mr. WARREN: I would like to say at word at this point, Mr. Chairman. Some of the preoccupations that you have mentioned with respect to the adequacy of the promotion of travel within Canada and the adequacy of our tourist plant in Canada are matters of concern to this department and we have been thinking a good deal about them. Traditionally the operation of the Travel Bureau has been, as Mr. Wallace says, to attract the overseas or American visitors to Canada, but we in the Department also think that consideration should be given to the business of travel within Canada and the question of the adequacy of our plant. Now, this is an area where I think you perhaps move forward only at a certain rate of speed because of the interests that there are in the provinces and their own promotion, but I think already we have agreement with the provinces for the undertaking of a study which is covered in one of the books for professional services of the Travel Bureau designed to find out a bit more about the nature of the travel flow inside Canada. We have also in mind in the Department that we do not really know as yet just what the travel industry is in Canada, nor the different contributions that are made to the travel industry, by the activities of different federal departments and I think that this is an era where more attention should be given.

Mr. LAMBERT: If we do not move soon we are going to get an awful shock in 1967.

Mr. LAFLAMME: May I ask a related question to the question of providing accommodation for tourists. I just would like to know if you have any estimates of how many foreign travellers may come to Canada because of Expo and are the provinces aware of the facilities that we need to accommodate them.

Mr. WARREN: I think there has been a great deal of detail planning in this area, and perhaps Mr. Wallace could speak to it and he may also want to speak to this point when you get down to Montreal.

Mr. WALLACE: Actually the present estimate is that next year we will attract 300,000 people from countries other than the United States, and that most of these will come to Expo—many of them will be attracted because of Expo. In this past year, 1965, in direct entry, that is coming directly into Canada, there were 132,000 people from other countries. This is a record of more than in any other year but the difficulty that we have as yet, in getting the total figure, is that quite a number of people come to Canada—we estimate at least another 50 per cent so I think that the total last year was of the order of 200,000—but they come into the United States and then come to Canada. Our counting facilities have not been too good; now we are improving these and we will shortly know.

If I might just add a word to what Mr. Warren said about our concern to help the provinces pinpoint their best potential areas of development, and so on, and of promotion, we did last fall authorize a commercial company to carry out the first travel survey ever done of the movement of Canadians within Canada, and we will shortly be sending to the provinces the results. We took a limited area—all trips, over 1965, that were 100 miles or more from home.

Now this year we have, as Mr. Warren has said, enough money in our budget to carry this domestic job of survey much further and early next year we hope to be able to give the provinces a very much better idea of the total flow from province to province so that they can then shape their promotion programs to be more in line with the realities we have been lacking in this industry, from the guidelines of good market research. We have in our budget this year a total of \$96,000 to underwrite research so we are able to do a lot more this year.

The CHAIRMAN: Do you have any further questions? Mr. Basford.

Mr. BASFORD: Well, Mr. Chairman, I just have a few questions. Mr. Wallace's obvious enthusiasm is encouraging and refreshing and very pleasing to me. I wanted to ask some questions on the program to keep Canadians at home, most of which questions have been exhausted. But I certainly would support all the efforts of the department and of the Bureau in working out a program with the provinces to keep Canadians at home and travelling within Canada, because I know my own city, Vancouver in British Columbia, which is undoubtedly the most beautiful province in Canada. So many think only in terms of running off to Seattle or San Francisco for their holidays and this is just a lot of damned nonsense. I think they would be much better staying at home and looking at their own country.

You recently opened an office, I think, in San Francisco?

Mr. WALLACE: The San Francisco office was opened in 1961, Los Angeles in 1963 and Seattle, Washington, so we have three or more on that coast now.

Mr. BASFORD: How are those offices doing?

Mr. WALLACE: Very well. The previous director of this bureau, Alan Field, went last fall to be our general manager for the western United States. He is really tremendously enthusiastic about the potential, particularly in California—of course in the northern states too, and in the southern states—but in California there are 20 million people. They have so many cars that they no

longer count, say, a car for the head of household, they throw in an extra one for the dog and cat. They have a travelling habit; they think nothing of travelling several thousand miles on a vacation. They have the highest per capita income in the world and we feel that, while they already come to Canada in good numbers, we will find, through the course of the year, something like 1,000 California cars turning up in Nova Scotia, which indicates what sort of travellers they are. But, of course, this is my home province; I used to notice them there.

But in British Columbia they are very important customers and we feel that the future travel potential of British Columbia and Alberta—the western provinces—is very good because, to the south, they have people who, in summer-time, are very strongly inclined to go north; not to go south and not too much to go east, unless maybe northeast.

Mr. BASFORD: How are the new offices in Mexico and Tokyo?

Mr. WALLACE: The one in Tokyo is just getting established; it is not open for business. We have an officer there, recently representing Japan Airlines in Vancouver, who is our promotion officer and that, of course, will be a slow process because it will take a while to develop the Japanese market.

There are a large number of people there who are greatly interested in Canada, but the amount of foreign currency available to them, at the moment, is still limited. It is only in the last couple of years they have had money with which to travel any distance. But we feel that there is a future there, and a great future, for British Columbia. They are very interested in mountains and in Canada and, in this last year, there has been a substantial increase in Japanese visitors although, as yet, it is small.

We hope, shortly, to think of Australia as an area about which we should do something, then New Zealand, knowing there is business to be had there for Canada. A great number of Australians go abroad every year but not too many of them, as yet, come through Canada. By working on them, we feel we could get many more.

Mr. BASFORD: Well you recently rejoined, I think, the Pacific Area Travel Association?

Mr. WALLACE: Yes, we did that a couple of years ago and I have attended two meetings, one in Australia and, recently, one in India. The purpose of that organization is, of course, to develop travel across the Pacific and the inclination, since most of the members are on the other side of the Pacific, is to take travel out of Canada and out of the United States.

Here I might hark back to something Mr. Lambert said. When I speak in Canada to travel promoters, I remind them of the facts of life in the travel field; that Canadians are the world's greatest travellers. We are per capita, the world's big spenders; we outspend everybody else two, three or four times to one. Any travel promoter in Canada—and I have been preaching this a long time, now, in this business—who ignores the Canadians next door and takes them for granted, and goes promoting in other countries, is missing a very good bet because you have noticed, I am sure, in the last couple of years, since the Trans-Canada Highway opened the largest pass, a great increase in traffic down the Okanagan Valley and in British Columbians coming into Alberta and, so on.

The increase in travel in the east and west is very notable. I would think any province that ignores the Canadian travel prospects next door, is missing a very good thing.

The CHAIRMAN: Have you any further questions, Mr. Basford?

Mr. BASFORD: I was wondering about the Mexico City office.

Mr. WALLACE: This has just recently been established and it formally opened a couple of months ago. We will be getting into contact with travel agents in these more remote countries once we go beyond the United States. We deal less with the general public and much more with the trade, as we do in Europe, for example, where we deal heavily with travel agents because 80 or 90 per cent of the business coming from Europe to Canada comes from travel agents. So we tend to pinpoint our effort more. We tend to make sure that travel agents know about Canada, that they have some Canadian literature and we are now printing some in Spanish, also in Japanese and other languages. Miss Fortier, who is our representative in Mexico City, of course speaks excellent Spanish and Portuguese. She is just beginning to make an impact, to get known, to get stories in the newspapers about Canada and to get travel agents and tour operators in Mexico to start thinking about Canada.

A lot of Mexicans come to New York but not too many of them come as far as Canada. We feel we can get more. Many of them send their children to school in Canada but we feel we can attract more of them. They are very friendly towards us; as a matter of fact they jokingly call North America "Sandwich", in which we are the bread and the United States is the meat in the centre and they think we have something in common.

Mr. BASFORD: Yes, I have experienced that in Mexico.

What sort of budgets would the offices in Mexico and Tokyo have?

Mr. WALLACE: In the first instance, the budgets will be fairly modest—enough to pay for a travel promotion officer, an assistant, a secretary and to pay for office space. In Mexico the office is very central but it is not on a ground floor; in Tokyo it will be in one of the downtown hotels in an arcade—quite accessible. At the start, we will not have money for advertising or public relations but, as they become better established, we will support them with advertising and public relations.

Our major contribution at the start would be in publications, by moving into these foreign languages and making sure they have something to distribute, they will have publicity material and publications in Japanese or Spanish which they can use. Now in England, which is better established and which has been going for quite some time and where the income is of the order of \$50 million a year, we can establish a bigger office; it is just beside Trafalgar Square, across from Canada House. We have a staff of about eight people; we have not only a respectable budget for the office itself in the order of \$80,000 or so, but a back-up budget of \$200,000 for advertising and another budget of \$35,000 or so for public relations. So we have quite an operation going in England, which is our major overseas market.

Mr. BASFORD: I was interested in your comment about Australia and New Zealand. I was in New Zealand last fall and it seems to me that everyone in New

Zealand has the desire to get away from there—for a vacation, not to emigrate—but they, at one point, want to leave New Zealand. To save money for this seems to be a lifetime project and it seemed to me a very fruitful tourist area as they feel very isolated down there and want to get away and see the world.

Mr. WALLACE: I think there is a real potential there. I was there a couple of years ago and I know our High Commissioner in Wellington is very keen on this and feels that there is great opportunity there.

Mr. BASFORD: To go back to some of Mr. Lambert's questions, and this is the last question. By the way, were you catching a plane at five minutes to five?

Mr. WALLACE: No. I never get there more than a minute before the plane takes off and it does not leave until nearly 7 o'clock. There is lots of time.

Mr. BASFORD: Do you have some sort of liaison committee with the Department of Northern Affairs on parks?—Or how is your communication with that department?

Mr. WALLACE: We have recently, as a matter of fact just the other day—of course we are next door in buildings and we were in the same department for several years so we know them very well—agreed that we should meet on a more regular basis. But again, we are just a phone away and we know each other quite well.

Mr. BASFORD: I do not accept that I would spend all morning in the Northern Affairs committee discussing parks policy and I do not accept some of the things Mr. Lambert says. But it would seem to me useful that there be consultation between the two departments.

That is all I have, Mr. Chairman.

The CHAIRMAN: Thank you. This might be something that Mr. Lambert and Mr. Basford might pursue in the Northern Affairs committee.

The next on my list is Mr. Coates.

Mr. COATES: I would like to ask Mr. Wallace some questions about advertising. I notice that about \$6½ million of your \$9.8 million is involved in various types of advertising and first of all, \$1½ million is involved in publications. I wonder if you could tell me how much of this money is spent outside the government printing bureau?

Mr. WALLACE: The great majority of that, Mr. Coates, would be with private printing firms. These are, not always but sometimes, very very large printing orders and 1½ million is rather a large figure. But it is a fact that, to cover our market, we must think in terms of our map being ordinarily produced in two million copies; even though they may only cost five cents each, there goes \$100,000. We have a new book being produced, our new issue of "Invitation to Canada", of which I think, 600,000 copies have been printed and it will now be moving into another printing of 1.3 million; this is our major operation. This book, which many of you may have seen, opens, of course, as you would expect, on the House of Commons with a very elegant picture of the Guards, and then on a map of Canada which is intended to show the average American—we also have a copy for overseas, a different map—how easy it is to get to Canada. We can see the main highways that lead north.

I should have made the point, and Mr. Fletcher reminds me, that we, of course, do not place our own printing; this is all done through the Queen's Printer. But it is a fact that the great majority of our printing is done by private printing firms, on a tender basis, under arrangements through the Queen's Printer.

● (4.58 p.m.)

I might mention here, as a tribute to another government department, and I might show you, as a sort of a preview, what I think will be the finest map in the world in this field. This is the first sheet of our new highway map which has been produced by the Department of Mines and Technical Surveys. It will be much more attractive and sophisticated than our previous maps and I think it will be a very excellent production.

It will restore Newfoundland to its logical location and geography up on the right hand side of the map; it will have a big spread here, of course, for 1967 and it will be ready for distribution at the end of this year. We think this is a big step forward. It has taken several cartographers a long time—almost a year—to produce just this one side, and then we will have the western side. This is being prepared by the Department of Mines and Technical Surveys. The map will be ready for distribution at the end of this year. We will use approximately 2 million copies in 1967. The map will have an attractive cover, with the new Canadian flag, and it will carry a special message inviting Americans to come to Canada in 1967 to visit centennial events, Expo and the Pan-American games.

Our literature demands are very heavy this year, and \$1.5 million is provided for this purpose. In particular, in addition to an expected record level of travel inquiries, approximately two million, we are also undertaking a larger direct mail campaign than ever before.

I must say that in our direct mail thinking we are proposing, over this coming winter, in addition to the two million families we are covering at the moment, and which represents about seven million potential visitors, another two million mailings, starting about September or October. In that we will be attempting to attract people, right across the United States, to Expo, to centennial events, to Pan American games, and so on, by letters that will be personally addressed to the head of the household.

Mr. COATES: Now with regard to exhibits, advertising, films, broadcasting and displays, where you have half a million dollars; how much work does the National Film Board do for you here?

Mr. WALLACE: We work very closely with the National Film Board, particularly in the United States. In this current year we have almost \$300,000 for prints which will be ordered through the National Film Board. This particular heading also covers a very extensive photographic program and the distribution of photographs. We will spend about \$25,000 in taking photographs across Canada and a considerable amount of money in sending out prints of them.

The CHAIRMAN: Have you any further questions, Mr. Coates?

Mr. COATES: Not along this line.

With regard to advertising in foreign newspapers, magazines and other media, how is the determination made? I see that about \$2½ million is spent for foreign advertising. Who makes the determination of where these advertisements are placed and of their size?

Mr. WALLACE: Well, I would say that we look at our markets. The United States is obviously our big market and a great proportion of our expenditure is in the United States. That is a very difficult market because it is estimated that \$180 million is spent there on travel advertising, and even though we are, as a country, the biggest travel advertisers in the world, it is still a very tough market to get into. We had the good fortune to have on staff a very experienced manager of advertising and promotion, Mr. Donald Bythell, who set up the advertising program some 20 years ago for Air Canada, and who manages this for us.

We take the advice of our advertising agencies on where we can make the best impact. We look very much at what we advertise, generally, across the United States, but when we come to newspaper advertising, for example, we concentrate our efforts in the northern states. We do not advertise very far away because it is a fact that, once you go beyond 500 miles or so from the Canadian border, it becomes much more difficult to attract tourists. California is an exception in this regard; it does not seem to mind about being 1,000 miles away, but most areas in the United States do—Texas and so on. So we look at where we are getting the business now, and we think that, here, we can spend our money to the best effect. Every year we keep re-examining this allocation.

Mr. COATES: Who makes the selection of the advertising agencies you use; do you people do that yourselves?

Mr. WALLACE: No, this is a matter for the government, it is not a decision for us.

Mr. COATES: Is this a matter for the Department of Trade and Commerce, Mr. Deputy Minister? Do you people make the decision on who are the advertising agencies used by the government travel bureau?

Mr. WARREN: No, the government of Canada takes that decision, sir, but of course they take advice.

Mr. COATES: I believe you spoke on the interprovincial advertising programs on which about \$¼ million are spent.

Mr. WALLACE: Yes.

Mr. COATES: This is what you discussed further so there is no reason for me to do so.

Would you go into a little further detail on the centennial advertising program?

Mr. WALLACE: Well I cannot go very far on that, at the moment, because it is very much in the planning stage. But I could give you something of our general philosophy and this is also the philosophy of Mr. John Fisher and his people in the Centennial Commission.

Our feeling, here, is that we should start, probably in October and November, and this will be very interesting because, for the first time, this will

mean that with Expo advertising also coming along at this time, we will be able to advertise Canada in the United States and other countries at a time of the year when, ordinarily, we are silent; ordinarily we have run out of money. This will mean that in 1966 and for the first time, we are going to have continuity of projection of Canada. But the projection is changing from our message which runs from January to July saying "Come to Canada", to the centennial message which will be much more. It will say: "Look, Canada is having a birthday; it is a country of 20 million people; it is a wonderful country to trade with; it is a wonderful country to live in, to work in; it is a nice country to visit; it is highly industrialized; it is capable of producing the very latest electronic equipment." It is going to be more on those lines. But then we feel it should probably stop in December and resume in January. And in January it should become more of a "Look, we are having a birthday, come up and join the fun" kind of message. That would be in the United States.

To countries which cannot as easily come and attend the birthday, we just want to let them know that something exciting is happening in Canada—that we are leaving one century and moving into another. We would like them to know about it and we feel this will be a chance—which comes once in a hundred years—to tell the world about Canada.

This centennial advertising which, as I say, will be related very little to travel, will run along, above and beyond what either we or Expo are doing. The triple program of ourselves, the centennial advertising and Expo, will have the effect for which we are all trying to make Expo a success, to attract record numbers of visitors to Canada next year and to make all the centennial events crowded, not only with Canadians but with people from other countries too.

Mr. COATES: How closely are you working with Expo?

Mr. WALLACE: I would say very closely, sir, on this, because the fact that we are managing the centennial advertising on behalf of the Centennial Commission, this part is no problem because both are in Mr. Bythell's care. Mr. Paul Break, who is in charge of Expo advertising, is in almost daily communication with our people, and we have exchanged our plans. I think we can say that we are thinking very much along the same lines.

Mr. COATES: You say this program is going to start about September?

Mr. WALLACE: We are hoping that about October would be a reasonable time—just at the end of the summer, when this year is more or less under control and out of the way and we can start leaning forward to next year.

Up until September, we hope our publicity and advertising will keep saying "Come to Canada this year". We do not want to start talking too early about next year.

Mr. COATES: Yes, well one of the reasons I asked this is because we just came back—a number of members on a delegation were down in Washington and Tennessee—and I find there is still very little knowledge, in the United States, about Expo '67. And certainly, if they are going to provide the majority of the people who are going to be coming to Expo and to Canada we hope, for 1967, I wonder if we are not holding back too long?

Mr. WALLACE: Well, it is a matter of strategy here. We feel, and I think this is the general feeling, that this should now begin to pick up steam. I might say that we have already done a fair amount in this field. Here is a booklet we have handled for Expo, and we have sent out approximately half a million copies of this to American households over the last year, in response to enquiries from people interested in travelling to Canada. We have put this in with other material we are sending them. We have just got this booklet from Expo, which is very attractive, and we have $1\frac{3}{4}$ million copies of this and we are sending this out very widely.

I think that you will find, while there is still a long way to go, that with our answering of current inquiries over the next couple of months, the awareness of Expo will begin to rise. We are not too concerned at the moment, about this; we would like people in the United States, generally to know about Expo about next fall so that, as we are getting close to January the word will be getting around quite widely.

I think some of you may have seen some of the recent advertising by Expo, say, in *Life* magazine—it is beginning to be quite attractive, and impressive. There is a long way to go, I agree, but we are making some steps in this direction.

Mr. COATES: I think you felt quite confident, though, that the program—

Mr. WALLACE: I am quite confident that next year will be a record year and that Expo will be a great success.

Mr. COATES: I have one more question, in a different field altogether. It is related to our present deficit as compared with the amount of money Canadians spend in the United States with what Americans spend here. What I would like to know is how you make a determination of how much Canadians spend in the United States—I assume it is through the Dominion Bureau of Statistics.

Mr. WALLACE: The Dominion Bureau of Statistics make these estimates for us and they consult with their American counterparts and query Canadians coming back from their vacation and, on a sample basis, they get an idea. They know exactly how many go abroad and to the United States, and they get an average idea how long they stay and how much they spend.

I might say, on this travel deficit side, it is true that it did increase some years ago and, for two years, in 1959 and 1960, it was at a pretty high level—\$207 million two years running. Since then, the picture is generally better and I feel the future picture is quite encouraging. As a matter of fact it improved until in 1963 we had a plus of \$24 million; we dropped off in 1964 to \$50 million deficit and held steady last year at \$49 million deficit. I feel that we are now on our way to overcoming the deficit position and that, if not this year, next year will see us out of it. And I do not think we should slip back.

Mr. COATES: Do you feel these projections by the Dominion Bureau of Statistics are fairly accurate?

Mr. WALLACE: We have every reason to believe, from observations of other research experts, that D.B.S. is extremely cautious and, I think, sound in their work in the tourist field. This is a field in which a lot of the figures used are guesswork but they really, I think, do a workmanlike job on it.

I might say we are very glad to have them do this, because if we used these figures and invented them ourselves you would not always believe them, but we have here a very solid conservative organization.

An hon. MEMBER: Do not speak of it.

Mr. WALLACE: We sometimes feel that their figures are too low but we are quite content to take them as they give them to us.

Mr. COATES: Thank you very much.

The CHAIRMAN: The next person on my list is Mr. Munro.

Mr. MUNRO: Excuse me, Mr. Wallace, for being a little parochial. Coming from Hamilton, you may recall there was some pique on the part of Hamiltonians over travel and promotion activities of your department. I wonder if I might just quote a lead editorial which appeared in the *Spectator* and which is entitled "The Forgotten City":

Hamilton has not any tourist attractions. Never mind talking about Dundurn Castle of the Royal Botanical Gardens, just ask the Canadian Government Travel Bureau.

This federal agency, waxing prosperous under the wing of Robert Winters, trade and commerce department, with 200 full-time employees, and \$6 million plus of promotion budget that is the world's biggest at the national level, has just chopped us out of Canada again for the umpteenth time.

Its latest offering in an active publishing career, is a 50-page booklet "Invitation To Canada". This is an expensive piece of work on high grade paper, replete with lavish colour illustration. The city is mentioned exactly once; in six-point type on a map on the inside front cover.

This is not even a crumb. This is not the first time it has happened, or the second, or the third, and Hamiltonians are getting sick and tired of it.

We are no Banff, to be true, but there is more to our irritation than petty pride and special pleading. Ontario is the gateway to Canada for more than two-thirds of the total incoming American visitors each year. Of these, an enormous percentage come up via the Queen Elizabeth Way past Hamilton.

I know you are aware of the Sound and Light centennial project in Hamilton, on which many hundreds of thousands of dollars have been spent and the beautiful botanical gardens and the rock gardens attract many tourists and I just wondered why Hamiltonians feel they have some basis for a slight on the part of your department and your brochures and so on pointing out the attractive parts of Canada.

Mr. WALLACE: I might say first, Mr. Munro, that Mr. Farmer was in touch with me and we have been able to assure him that this was not intentional. This is a big country to cover. I might say there are a lot of cities without pictures; there is a limited amount of space there. However, in the second edition, which is shortly coming off the press, we have managed to get in a picture of your rock gardens and reference, I believe to the *Son et Lumière*.

I will say quite frankly we do appreciate the enthusiasm of the Hamiltonians. I have had several quite irate letters from various sources and one of them—I think it was the local tourist promoter—who suggested that I would have need of my Hamilton hard hat if I went down there again. We are quite glad to have this enthusiasm and if you remind us we will try—but we cannot every time, in every book—to do justice to everybody. But if you are selling your wares enthusiastically, we will try to reform the next time round and we are, in this particular instance.

Mr. MUNRO: We feel we have some justification in our plea for mention of some of our tourist attractions because of our proximity to the American border, because of some of the sights and, of course, because we are the fifth largest city in Canada.

Mr. WALLACE: The difficulty, Mr. Munro, is that you are very nearly next door to one of the wonders of the world, and, if you look at that book, you will see it gets a large amount of space. If our attention to Ontario were divided between the Hamilton area and other parts of Ontario, we would have a bit of an argument, I am afraid, with the other parts.

Mr. MUNRO: I am afraid we are starting to suffer from a marked inferiority complex.

Mr. WALLACE: I cannot believe that, Mr. Munro.

Mr. MUNRO: Mr. Chairman, I would just like to bring to your attention another letter, from the Hamilton Chamber of Commerce; under date May 15, addressed to the Hon. Robert Winters:

Dear Mr. Winters:

As an organization keenly interested in trade matters, the Hamilton Chamber of Commerce is becoming increasingly alarmed at this city's exclusion, either deliberately or unintentionally, from publications issued by the federal government and by international organizations supported by Canadian membership.

The latest example of this may be found in the 1966 publication of the GATT international trade centre, which takes upon itself the delicate task of defining the leading chambers of commerce in Canada. We vigorously protest Hamilton's exclusion from this list and ask that representatives of the Department of Trade and Commerce at GATT make our feelings known to the proper authorities.

I do not know whether or not the tourist bureau here has any arrangements with the Gatt international trade centre in some of their promotions.

The CHAIRMAN: Mr. Munro, I think this point is relevant to the work of this department but, with all due respect, I suggest that this is probably Mr. Wallace's responsibility. Perhaps it might be taken into account when we return to Item No. 1 after we deal with this specific vote and I will not even invite the deputy minister to deal with the point at this time; perhaps he would prefer to deal with it when we get back to Item No. 1.

Mr. MUNRO: Other than that, Mr. Chairman, I must say I am very impressed with the work of the department in the tourist promotion area and I do hope you do not forget us in the future.

(Translation)

The CHAIRMAN: I have another name on my list, Mr. Comtois. Do you have any questions Mr. Comtois?

Mr. COMTOIS: Mr. Chairman, I am quite happy to see the efforts being made by the Tourist Bureau to encourage tourist development within Canada and abroad. I also wish to congratulate the officers of the Bureau for the good cooperation there seems to be between the Centennial Commission and Expo and themselves to promote these two great events.

(English)

Now I have a question for Mr. Wallace.

You believe that a lot of people will come to Canada next year and that perhaps the number will double. What do you think of the facilities they can expect in every province?

Mr. WALLACE: Well, I do not think we will get that sort of drastic increase. I think that we must, as tourist promoters, always promote a little ahead of capacity. That is, if we are going to have more 25-storey hotels, like the one that is going up over here, it will only be because there is some pressure on present facilities in Ottawa. We hope that we have had some part in creating that pressure, as we have had, I think, in creating pressure on facilities in Montreal, where the Chateau Champlain can be thought of.

As far as next year is concerned we have approximately 300,000 hotel-motel units in Canada that can handle quite a number of people. There is quite a backlog of private homes, certainly around Montreal, that will come into the picture and will take up some of the slack. It will be a bit of a problem next year; this is going to be a very crowded place.

I remember some years ago asking a friend of mine who ran a drug store, how it was that he put his showcases right in the middle of a floor making it a little hard to get around them. He said "I have devised this store so that even if there is one customer in it, it looks crowded, otherwise nobody would come in". It is human nature to come to areas that are successful. If our hotels were half empty, word would get around there was something wrong with Canada. I think next year we are going to be bursting at the seams. I feel that Canadians, in their friendliness, and Quebecers in their hospitality, will see to it that nobody is left out in the cold and that everybody has a good time.

Mr. COMTOIS: Could you tell me what percentage of your budget is spent to promote French Canada?

● (5.20 p.m.)

Mr. WALLACE: Offhand, it would be hard, perhaps, to strike a percentage, but I would say that one of the great advantages of Canada, one which, I think, we have been stressing very much in recent years and especially this year—to the extent that we are sometimes even criticized for it—is that it is so distinctively different from the United States. One of the reasons for this is that we are a mosaic, having preserved national cultures rather than advocated a melting pot approach in which everybody adopts one language and becomes one sort of people. We feel that this does attract Americans, very powerfully, to Canada.

Let me illustrate this by saying if I showed you all our advertisements you would find quite a number on Quebec, quite a number on Montreal, and quite a number on the various attractions of French Canada.

When we come to our newspaper advertising, we very carefully segregate and regionalize it so that, especially those newspapers within reach of Quebec, will, from time to time say "Come to Canada—see picturesque Quebec—see beautiful Quebec" and so on.

I think it is one of the standing instructions for our advertising agencies, and very much for our advertising manager, to attempt—and it is impossible to do it always fairly—to keep a balance so that we do not just talk about the beautiful scenery of Alberta or British Columbia, or the Maritimes occasionally but, in a fair percentage of the time, talk about Ontario or Quebec, and so on.

I think you will find, if you look at this booklet, that the representation of Quebec is very very good and very striking; the pictures of Montreal are very impressive and we would be glad to show you all our advertisements in order to establish this point. I have them here but it would take time to unfold them. I can just assure you that, in our thinking, the percentage of our attention given to Quebec is roughly representative of the number of people who live in Quebec as against the number of Canadians, generally. I think that would be the story. We try to be fair, we do not try to be overly fair. We try to be equal.

Mr. COMTOIS: Would it be impossible for your office to send to the members of this Committee a few samples of that material used?

The CHAIRMAN: Yes, I think that is a good suggestion, since there are some members, of course, who, due to other work, have not been able to attend this meeting. Perhaps you might consider making up some kits and distributing them.

Mr. WALLACE: I would be glad to do that, Mr. Chairman; there is no problem at all. We could send you some samples of our advertising, in any case, enough to give you an idea, and a full set of our literature, so that you will see what we are actually producing.

The CHAIRMAN: Which you have presented to us today verbally. I have no further names on my list.

Mr. MORE (*Regina City*): Mr. Chairman I will have to leave.

The CHAIRMAN: Do you have a further question?

Mr. MORE (*Regina City*): Yes, I have.

The CHAIRMAN: I was going to suggest that the time is going and I would like to try to present my report to the House at six o'clock to facilitate our possible trip. I just want to say I would be happy to take your question but I was wondering if we could possibly dispose of this vote today.

Mr. MORE (*Regina City*): Well, I want to ask a couple of questions.

The CHAIRMAN: I certainly feel there is no reason, so far as I am concerned, why we cannot go on until ten to six, so long as I can get over there so we can facilitate our arrangements for our study of Expo.

Mr. More, you may proceed.

Mr. MORE (*Regina City*): Mr. Wallace, in your remarks you spoke about the potential. The San Francisco office has been open since 1961. Do you have any figures that would give some evidence of the success of opening that office, as against what occurred before it was opened?

Mr. WALLACE: I cannot, specifically at this moment answer that question; it is not too easy to answer. All I can say is that every year since 1961 the business from the United States has gone up; every year the percentage of business from California and from that western part of the United States has gone up, so we feel that it is having an impact.

Now it is a little hard to pinpoint this increase and say it is because of that office, any more than we can claim that our efforts overseas have made for a 20 per cent increase in the last few years, because Air Canada, Canadian Pacific and many others were there before us and the provinces of British Columbia and Alberta are also active in California, so that we have to share the credit. But I would say that we are satisfied that it is doing a job and that it is worth the money we are spending on it.

Mr. MORE (*Regina City*): How many staff do you have?

Mr. WALLACE: Oh, it is a very small office. At the moment we have an acting manager, a travel counsellor and a secretary. It is a relatively small office.

Mr. MORE (*Regina City*): You do not have an account of the walk-in and walk-out total?

Mr. WALLACE: Yes; we know exactly how many people come in. I cannot at the moment give you those figures but we know. Every month we have reports from every office that tell us the exact number of people who have called, visited, or written in; we know how many people the manager has seen in the way of travel agents, travel writers, and all this is part of our reporting. I do not have that detail here, which is very considerable.

The CHAIRMAN: Perhaps Mr. More might be able to obtain that from you at a later date.

Mr. WALLACE: I would be glad to get that for him, for San Francisco.

Mr. MORE (*Regina City*): I think it is the only one that has been operating long enough to give you some specific evidence of benefit, that was all I was getting at.

I am satisfied that you do have considerable business from New York but, with this new effort on the Pacific coast, I just wondered if, from this, any specific trend had developed that would justify it.

Who determines the format for your advertising copy? Does an agency prepare it and you process it?

Mr. WALLACE: We want to take the final responsibility for the wording but of course, we look very much to the advertising agency for expert layout and expert copywriting and so on. We consult with them but basically, it is their job to come up with the best work they can offer and then for us to accept or reject it or perhaps tell them to go back and try again.

Mr. MORE (*Regina City*): I am not getting at this for the purpose of criticism but just for the purpose of information.

There have been some questions on your advertising. You ran some advertising in *Better Homes and Gardens*; I do not think we could say this was specific to any particular area because there is a broad spread of acceptance of this magazine in Canada. How many parts of Canada were included in the series of advertisements that you may have run in *Better Homes and Gardens*?

Mr. WALLACE: I do not think we ran all of that series in that particular magazine—we only place a couple of advertisements there a year. But, in that particular series, which was attempting to tell the things that were different about Canada, as I recall, we spoke of British Columbia, of the Scottish influence in Canada, of Quebec; we moved across, I would say, half a dozen areas of Canada to say “This makes Canada a little different”. A somewhat comparable campaign has been run for several years by New York state where you will see a big picture and then a question mark, and the words “Norway? No, New York State.” They are trying to do the same thing, which is to indicate that the New York State is an interesting, cosmopolitan one, which will remind you of many foreign countries.

Now at least one or two such advertisements were questioned and I think, on second thoughts, we just did not see all the implications; we did not think it out because when we saw them they looked attractive and interesting.

Mr. MORE (*Regina City*): I thought they were very attractive too; I know what you are referring to. But the only way I saw it was because I had some correspondence. I accepted it as being a selling job for the purpose you are outlining and I have no criticism of it—even the wording, perhaps, did not bother me. I thought it was a very beautiful advertisement.

In talking about your advertising campaign, I think I could answer a lot of questions, if that was one of a series and we could provide the series to show people that there was not discrimination, that there was a general story being told in these advertisements.

Mr. WALLACE: Perhaps we could provide the series for members of the Committee, because it is an interesting series and it was a new attempt to point out the things that are different in Canada; for instance the English factor in Victoria.

Mr. MORE (*Regina City*): I know the one. I only had a couple bring it to my attention and their background approach was such that you would expect it, perhaps, of these people. But I answered them by saying that Americans are hard sell people and it is a hard sell job and that, so far as I was concerned, I could not personally criticize it.

Mr. WALLACE: I might just say that every indication we have is that these advertisements are getting attention because we are getting more inquiries this year than we had this time last year.

Mr. MORE (*Regina City*): If this series were provided to the Committee, it would be very interesting.

The CHAIRMAN: Thank you, Mr. More. If we have no further questions or comments, I would like to ask the Committee if Vote 15 shall carry.

Item agreed to.

I think, gentlemen, that in view of the hour, we should not attempt to begin Item 20, Standards Branch, because I think we should have a proper time for discussion of it. This Committee therefore stands adjourned to the call of the Chair. If we have the consent of the House, of course, we expect the next meeting to be in Montreal on Tuesday. You will be further informed directly on the details and travel arrangements.

I might say just in closing with respect to Mr. Wallace; it seems he has not told us of his position as head of the Canadian Government Travel Bureau. He probably knows we would guess that ourselves because of his enthusiasm for Canada and the work he is doing.

This Committee is adjourned.

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations
and/or a translation into English of the French.

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

TUESDAY, MAY 31, 1966

(Sitting in Montreal)

Respecting

Main Estimates, 1966-67, Department of Trade and Commerce
(Expo 67)

WITNESSES:

The Hon. Robert H. Winters, Minister of Trade and Commerce;
Representing the Canadian Corporation for the 1967 World Exhibition:
Messrs. R. F. Shaw, Deputy Commissioner and Vice-President; A. G. Kniewasser, General Manager; J. C. Delorme, Secretary and General Counsel; Yves Jasmin, Public Relations; G. F. G. Hughes, Business Development Bureau; P. de Gaspé Beaubien, Director of Operations; G. D. Rediker, Director, Finance and Administration; E. Fiset and B. Bowen, Installations Department; R. Letendre, Exhibitors Department.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,	Comtois,	Lewis,
Basford,	Flemming,	Macdonald (<i>Rosedale</i>),
Cameron (<i>Nanaimo-</i>	Grégoire,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Hees,	Monteith,
Cashin,	Irvine,	More (<i>Regina City</i>),
Chrétien,	Lambert,	Munro,
Clermont,	Lamontagne,	Stafford,
Coates,	Leboe,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

ORDER OF REFERENCE

THURSDAY, May 26, 1966.

Ordered,—That the Standing Committee on Finance, Trade and Economic Affairs be granted leave to meet in Montreal on Tuesday, May 31, 1966 (or such other date as circumstances may require) for the purpose of visiting the site and examining officials of Expo '67; and that the Clerk of the Committee accompany the Committee to Montreal.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

MINUTES OF PROCEEDINGS

MONTREAL, Tuesday, May 31, 1966.

(14)

The following members of the Standing Committee on Finance, Trade and Economic Affairs travelled to Montreal by Department of Transport aircraft at 8:30 a.m. this date: Messrs. Andras, Chrétien, Coates, Gray, Grégoire, Hees, McLean (*Charlotte*), Monteith, Stafford. They were joined in Montreal by: Messrs. Clermont, Comtois, Laflamme and Lambert (13).

They were met at St. Hubert airport by Mr. R. F. Shaw, Deputy Commissioner and Vice-President, Canadian Corporation for the 1967 World Exhibition (Expo 67), and Mr. A. G. Kniewasser, General Manager, and transported to the site of Expo 67.

The Committee assembled in the Press Room of the Administration Building on the site of Expo 67 with the following in attendance on behalf of the Corporation: Messrs. R. F. Shaw, Deputy Commissioner and Vice-President; A. G. Kniewasser, General Manager; Fridolin Simard, member of the Board of Directors; J. C. Delorme, Secretary and General Counsel; Yves Jasmin, Public Relations; G. F. G. Hughes, Business Development Bureau; P. de G. Beaubien, Director of Operations; G. D. Rediker, Director, and M. Preston, Finance and Administration Department; B. Bowen, Col. E. Brown, Professor G. Dozois and E. Fiset, Installations Department; Drummond Giles and R. Letendre, Exhibitors Department; P. Break, Public Relations.

Mr. Shaw made a statement on Expo 67, illustrated by slides, following which the Committee was taken on a tour of the site. Copies of Mr. Shaw's statement and additional material were distributed to members during the tour.

On return to the Administration Building at 12:30 p.m., the Committee again met in the Press Room where a buffet lunch was served. During lunch, the Committee heard statements from Messrs. Delorme, Jasmin, Hughes and de G. Beaubien.

At 1:45 p.m. the Chairman announced the opening of the official sitting of the Committee.

In addition to the members and officials of Expo 67 listed above, the following were in attendance: The Hon. Robert H. Winters, Minister of Trade and Commerce; J.-C. Cantin, Parliamentary Secretary to the Minister; L. J. Rodger, Comptroller-Secretary, Department of Trade and Commerce; T. Wood, Creative Director, Canadian Government Pavilion.

The Committee resumed consideration of the 1966-67 Estimates of the Department of Trade and Commerce and the Chairman called Item 29:

1967 World Exhibition, Canadian Government Participation—
\$8,672,000.

On motion of Mr. Hees, seconded by Mr. Grégoire,

Resolved,—That Mr. Shaw's statement and the material attached thereto be incorporated in this day's Minutes of Proceedings and Evidence (*See Appendix C*).

On motion of Mr. Andras, seconded by Mr. Chrétien,

Resolved,—That the statements of Messrs. Delorme, Jasmin, Hughes and de G. Beaubien, be incorporated in this day's Minutes of Proceedings and Evidence (*See Appendix D*).

The Minister, Mr. Wood and Mr. Kniewasser made statements concerning the 1967 World Exhibition. The Minister was questioned and was assisted in answering questions by Mr. Kniewasser.

At 2:40 p.m. the Minister withdrew to return to Ottawa for another meeting.

The following witnesses answered questions put to them by members of the Committee: Messrs. Kniewasser, Rediker, Jasmin, de G. Beaubien, Letendre, Fiset, Delorme and Bowen.

At 4:55 p.m. the Committee took recess for the purpose of permitting news photographs to be taken.

The Committee reconvened at 5:00 p.m. and the questioning continued.

Item 29 was carried.

The Committee noted that a model of Expo 67 was on display in the Press Room and unanimously agreed to recommend to Mr. Speaker that space be provided for an Expo 67 display within the precincts of Parliament.

On motion of Mr. Chrétien, seconded by Mr. Grégoire, the Committee passed a unanimous motion of congratulations to the officials of Expo 67 for the excellent work being done by them.

Mr. Kniewasser, on behalf of the Corporation, expressed appreciation to the Committee for the interest they had displayed in their visit today.

At 5:30 p.m. the Committee adjourned to the call of the Chair, and the members returned to Ottawa.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, May 31, 1966.

● (1.52 p.m.)

(Translation)

The CHAIRMAN: I now declare open this official meeting of the Standing Committee of the House of Commons on Finance, Trade and Economic Affairs.

(English)

Gentlemen, I think that before calling on the minister as our first witness, I should, for the record, indicate the basis of our gathering here today. As you know, we have been studying the estimates of the Department of Trade and Commerce. The next item, therefore, in the estimates is the vote dealing with the expenditures of the Canadian Government corporation on Expo. You may recall that the Minister, in response to questions in the House, indicated that he would offer to permit a more complete study of the general activities of Expo, when this matter was being considered either by the House or one of its committees. Therefore, today, we are using this opportunity not only to consider the specific vote on the Canadian Government participation in the 1967 world exhibition, but also to consider the general operations of Expo itself.

(Translation)

We have received special authorization from the House of Commons allowing us to hold a meeting here in Montreal, which is something new, at the same time as, according to the new regulation, we are holding a meeting of our new Finance Committee.

(English)

We have with us here—to have a regular meeting of our Committee—our official service of electronic recording which takes down everything that is said, and we brought with us our official interpreter. I think also, for the record, we should indicate that before beginning this official session, at ten o'clock this morning we had a briefing from the Deputy Commissioner, Mr. R. F. Shaw, and then, led by Mr. Shaw, we had a detailed tour of the Expo site.

Since Mr. Shaw based his remarks on a rather detailed statement which has been distributed to us, I would invite a motion at this time to incorporate his statement in the official Minutes and Proceedings of the Committee. I might say in passing that there are a number of appendices attached to it. The Committee may feel that it is not necessary to incorporate them all. For example, there is the statute governing Expo as well as some detailed appendices giving the exact names of the commissioners of all the world pavilions, and so on. Perhaps you may feel that these could be excluded and the statements, together with the other appendices dealing with the themes and the finances, should be part of our record. Could I have a motion at this time?

Mr. HEES: I so move.

Mr. GRÉGOIRE: I second the motion.

(Translation)

The CHAIRMAN: Is the motion carried?

(English)

Motion agreed to.

The CHAIRMAN: Now, also, during our luncheon period, we had a statement from Mr. J. C. Delorme on the International Bureau of Expositions and on the labour situation which applies to Expo; Mr. Yves Jasmin on advertising and promotion; Mr. Gerald Hughes on the business development bureau; and Mr. Philippe de Gaspé Beaubien on operation. These statements have been taken down by our recording service, and I would suggest to the Committee that they also be incorporated in our record. Could I have a motion to permit that?

Mr. ANDRAS: I so move.

Mr. CHRÉTIEN: I second the motion.

Motion agreed to.

(Translation)

The CHAIRMAN: Seconded by Mr. Chrétien, is the motion carried? Carried.

(English)

Motion agreed to.

The CHAIRMAN: Now, I think that we should proceed with the official business before us, and I am going to call vote 29, Canadian government participation in the 1967 World Exhibition, Montreal, and then invite as our first witness, the Minister of Trade and Commerce. Vote 29, Canadian government participation in the 1967 World Exhibition, Montreal.

DEPARTMENT OF TRADE AND COMMERCE 1967
WORLD EXHIBITION

29 Canadian government participation in the 1967 World Exhibition,
Montreal, \$8,672,000.

Hon. Robert WINTERS (*Minister of Trade and Commerce*): Thank you, Mr. Chairman. First of all, I would like to express the hope that you had an interesting visit this morning. I am sorry I was unable to be here. We had a meeting of the cabinet which required the attendance of some of us, and unfortunately I will have to return at an earlier date than some of the rest of you for the same reason. But I am glad to have this opportunity, and I am grateful to, and I commend, the Committee for arranging to come to Montreal for an on the spot appraisal of Expo '67 and the Canadian Government's participation in the exhibition. The project is of such magnitude and the timing so critical that only a first-hand inspection of the site and direct contact with the management of the Corporation can lead to a clear understanding of the scope; of the progress achieved, and the problems involved. I hope you have

been favourably impressed with what you have seen. Planning, design and construction are well in hand and on schedule. The determination and dedication of the staff, which has been drawn from all parts of Canada, are the best assurances of success.

Expo '67 is well on its way to becoming a great Canadian and international success in our centennial year. It is, however, important to retain the present momentum so that on April 28, 1967, this large, complex, first category universal and international exhibition will be ready and a credit to Canada.

The shipping tie-up which is impeding work on a number of projects adds to the difficulty. On-site labour has lived up scrupulously to its no-strike undertaking and I express the hope that this current situation will be resolved soon so that all those engaged in Expo can get on with their work.

All of us engaged in the project appreciate your interest and support. The Corporation welcomes your suggestions. Your Committee is concerned with Finance, Trade and Economic Affairs. Expo '67 is a great opportunity in these respects. Confidence in Canada, internally and internationally, is the presence of our financial, trade and economic good health.

Canada will be in the eyes of the world in 1967. Businessmen, financiers, technicians and world opinion makers of over 70 countries will be here in Montreal to celebrate our centennial with us and to assess what this country has achieved and holds promise of achieving in the future. Their collective judgment will have a great and long lasting effect on our financial, trade and economic affairs for years to come.

At the 3rd meeting of Commissioners General which has just concluded in Montreal, the representatives of over 70 countries all spoke with admiration and respect for the tremendous amount of work accomplished on the site of the exhibition. They have seen land reclaimed and a magnificent exhibition site developed. They have seen bridges built and underground services installed in an amazingly short period of time. They have seen buildings of original design and beauty rise above the ground. They were impressed with the capabilities and efficiency of Canadian architects, designers, engineers and the Canadian construction industry. Our capacity as a nation to design and build has already been brought to the attention of the world as never before. International respect and appreciation of our capabilities in these fields will mount and become even more widespread over the next year and a half.

The countries participating in the exhibition are working with Canadian architects, engineers and contractors. They are now in the process of making concessional arrangements and operating arrangements for their pavilions. These thousands of business contacts are of great value to our economy. They will lead to more export trade, to new international consulting and engineering contracts and to new investments here in the years ahead.

This morning you saw HABITAT '67. The orthotropic bridge, the new and daring theme buildings based on truncated tetrahedrons, a cleverly designed administration and news building, a portable stadium and many other show pieces of Canadian ingenuity and imagination. All of these structures add to the exhibition but they also serve as examples to the world of what Canada can do and can offer.

It is impossible and it would be inappropriate to predict what will become the outstanding pavilion or exhibit in the exhibition, but it is safe to say that there will be something in the exhibition for every taste and interest. Consequently, a whole new field of business inter-relationships and possibilities can be opened up for our people. Architects, engineers, designers and builders from all across the country will use these new contacts and business possibilities on an international scale. The Corporation, through its business development bureau, supported by the Department of Trade and Commerce, is already promoting the exhibition and stimulating new business possibilities arising from the Exhibition.

You heard a report this morning on the business development bureau and the arrangements being made during the Exhibition to have businessmen meet each other in the exhibition and then follow up these initial discussions with visits elsewhere across the country. This program is proceeding satisfactorily; the chartered banks of Canada are sponsoring it and are working closely with the Corporation, the Department of Trade and Commerce and provincial departments of trade and industry to work out an operating program which will ensure that the thousands of distinguished business visitors from all over the world are guided to the exhibits pavilions and to the people of direct interest to them. There is great interest in the program. Hundreds of conventions have already been booked during the Exhibition, and I would draw attention particularly to the International Chamber of Commerce which will be meeting here in May, 1967.

I would also like to take this opportunity to congratulate those Canadian industries and associations who have recognized the importance of the exhibition to Canada and its promotional opportunities through participation by way of sponsorship. It is essential that Canada be reflected to the world in all its aspects. The Canadian story at Expo would not, therefore, be complete or authoritative, if described only in pavilions of the federal and provincial governments.

You saw this morning some of the structures being organized by Canadian industries. They are a credit to the exhibition. They will attract many visitors and will be features in the international news media. Business transactions will not be concluded in these pavilions, but I have no doubt that they will yield real dividends in terms of sales promotion and a greater understanding of the contribution made to our way of life by the business community. Expo is pressing ahead with its sponsorship campaign. I do hope that Canadian corporations and institutions who have not yet associated themselves with the exhibition will do so before opening date, April 28, 1967. Sponsorship at Expo is good citizenship and good business. There are still interesting sponsorship opportunities available and I will be writing to a number of companies in this context very soon inviting their participation.

A new master plan for the exhibition was announced on April 19. Total capital operating and promotional expenditures of \$323.8 million were authorized and prospective revenues including assets and salvage of \$250.2 million forecast. In addition, a provision was made for a contingency reserve of \$9 million to be applied if necessary against the capital budget on the approval of the Treasury Board of Canada and the Province of Quebec. Assuming this

contingency will be required, the indicated net cost of the exhibition is, therefore, estimated at \$82.7 million, which is shareable 50 per cent or \$41.4 million by the Government of Canada, 37½ per cent or \$10.3 million by the City of Montreal.

This new master plan has received the closest scrutiny by the management of the Corporation, the Executive Committee, the Board of Directors, and the Treasury Boards of Canada and the Province of Quebec. As I indicated in the House of Commons on January 28, the expenditure side of the master plan can be estimated with reasonable accuracy. In fact, over 98 per cent of the capital budget is already committed. On the other hand revenues will depend to a very large extent on the success of the exhibition and cannot be estimated as accurately. The ultimate net cost to the three levels of government is, therefore, largely a function of the exhibition's success, and the results we obtain in terms of numbers of visitors, concessionnaires revenues, participation and sponsorship.

At the present time all indicators point to a highly successful exhibition. Our advanced ticket sales program has been going well. There is a growing interest in Canada and throughout the world in response to the physical achievements now apparent on the site and the promotional campaign which will reach a peak just before opening day. All of us, therefore, have a real stake in the success of the exhibition for national and economic reasons, but also for the very simple reason that the more successful Expo '67 is the smaller the cost will be to Canadian taxpayers.

Mr. Shaw gave you this morning some interesting information on tax yields arising directly from the exhibition. These estimates, which have been prepared in consultation with experts in the Government of Canada and the Government of the Province of Quebec, indicate tax returns in the order of \$90 million to the Federal Treasury and \$50 million to the Treasury of the Province of Quebec. These tax yields are estimated on the basis of the present master plan and an attendance of 30 million. If our sales of Expo passports continue at the present rate these estimates may well be exceeded.

A word now about the Corporation's operating procedures. I described these in some detail to the House on January 28, and confirm again today that work at Expo is being carried on as provided under the Act and in accordance with good business procedures. Treasury officials from Ottawa and Quebec are now meeting with the Corporation every Monday to expedite submissions to Treasury Board for projects in the Master Plan and in the Corporation's annual capital and operating budgets. Weekly liaison meetings are held with the Deputy Minister of the Department of Trade and Industry of the Province of Quebec and the President of the Executive Committee of the City of Montreal.

Salary scales are constantly under review by the Civil Service Commissions of the Federal and the Provincial Governments to insure that they remain in line with prevailing rates of pay in the City of Montreal. My officials and I have periodic meetings with the Commissioner General and the Deputy Commissioner General in Montreal and in Ottawa. The tempo and hours of work at the Corporation are fast and heavy. The staff is, however, now located under one roof in this new administration and news pavilion and we are doing whatever we can to facilitate their work.

You may have noticed the countdown clock at the entrance to this building. At this moment there are 330 days, 19 hours and 30 minutes, before the official opening April 28, 1967. A tremendous amount of work has been done, an enormous amount still remains to be done. The Exhibition is on schedule, and with continued drive and support from exhibitors we can be ready.

I trust that the Committee will take advantage of its presence at the Exhibition today to enquire fully into all aspects of the project. An important job is being done here and we need your help to do it well. A full understanding of the facts is essential. Thank you very kindly.

The CHAIRMAN: Thank you, Mr. Winters. I think, so that we can have a better period of questioning and discussion, I would like immediately to call upon a representative of the Canadian Government Exhibition Corporation for a brief statement, following which Mr. Kniewasser, the General Manager, has a few words to say, after which we will begin our discussion period. I might say in the meantime that if the members of the committee will signify to me in the usual manner, I will begin making a list so we can have an orderly discussion.

Mr. MONTEITH: Mr. Chairman, are you going to incorporate the Minister's statement?

The CHAIRMAN: Yes. I think this happens automatically since it is given during a regular session.

Mr. WINTERS: It is available, by the way, Mr. Chairman, for distribution if you wish the hon. members to have it.

The CHAIRMAN: Yes. Perhaps we could ask your assistant to distribute it to the members of the Committee while we are seated here. Now, I would like to call upon the representatives of the Canadian Government Exhibition Corporation to make their presentation. If they will identify themselves, then we can begin.

Mr. WOOD: My name is Tom Wood, creative director of the Canadian Government pavilion. First of all I want to express the regrets of Mr. Brown, the Commissioner General, who was unable to attend because of a previous commitment. To make a very brief progress report, you saw the state of affairs in the Canadian pavilion this morning. It has been under construction for about a year. The Pavilion construction will be completed by the end of this year. Exhibits are now about 90 per cent designed, about 60 per cent produced, and exhibit erection on the site will start in about a month from now. We are working to a gross budget of \$21 million, which is divided in this fashion: pavilion construction, \$8,300,000; exhibits, \$6,900,000; operations and maintenance, publicity, \$4,400,000, and special events \$1,500,000. That is about all I have to say, Mr. Chairman.

The CHAIRMAN: Thank you very much. Now I would like to proceed immediately to Mr. Kniewasser.

Mr. KNEWASSER (*General Manager, Canadian Corporation for the 1967 World Exhibition*): Mr. Chairman, Mr. Minister, gentlemen, we have a rule in Expo that anyone can speak in his maternal language and since, like most Canadians I cannot speak my maternal language, this is a fine way of shutting up the General Manager of this Corporation. I will not make a long statement

except to repeat what the Minister has said, and thank the Minister once again for coming and encouraging us with our difficult task, giving his advice and support and thanking you all for coming here today to see what we are trying to do. I have with me the department heads. We have the chief architect of the exhibition, Professor Dozois, who is in charge of the theme of the exhibition, and we will be pleased to handle any question you care to put to us to the best of our ability. Thank you very much.

The CHAIRMAN: Thank you, Mr. Kniewasser.

Mr. WINTERS: I should say on Mr. Kniewasser's behalf that when he was talking about his maternal language, he did not mean French or English. He is perfectly bilingual in both those languages.

The CHAIRMAN: I perhaps should add a word of explanation again for the official record. The Commissioner General, Mr. Dupuy, as was explained to us this morning, is on an official visit in his representative capacity, I believe, to Russia, to discuss the Russian pavilion, and I believe his visit was set up before our Committee decided to come here. Of course, as you know, Mr. Shaw was with us throughout the morning and has left to keep his very important commitment, I believe, to address the Overseas Press Club in New York. He has left behind him to represent him, very capably, Mr. Kniewasser, who is surrounded by his department heads and who will give us the information we may want to have. I would first like to recognize the Hon. George Hees.

Mr. HEES: I shall give way to Mr. Coates. I think he has done a bit of a study on this and I think he would like to say a few words.

Mr. COATES: Mr. Chairman, I was over here about three months ago, and I must say I am tremendously impressed with the progress that has been made since that date. I would like to say at the outset that I am pleased to be associated with the political party that passed the legislation that made all this possible, and it is our party as well that selected the site on which the exhibition is being constructed at the present time. I am also pleased to be associated with Mr. Hees, who became a director and worked hard, before he returned to politics, in trying to make Expo '67 the success it certainly appears it is going to be. I would like to say that I am very pleased that the Minister indicated his agreement, soon after assuming his duties as Minister of Trade and Commerce, to have the Committee study all aspects of Expo '67, and we are seeing to-day the benefits of this decision.

The Progressive Conservative Party, like all parties in the House of Commons, is anxious to see that Expo '67 is the success all indications point to its being. I think that the Commissioner General, the Deputy Commissioner General, the General Manager and all those associated with them deserve a great deal of credit for the kind of job they have done. We are going to put on the greatest exhibition that has ever been seen in the world, and to them most of the credit must go because they are the ones who are making it possible, and making it possible over a shorter period of time than has ever before been tackled by any group of individuals.

Now, while we are all anxious to see that it is a success, we also, as members of Parliament, have an obligation to the taxpayer to see that his money is spent in a wise and prudent manner. I believe that on the explana-

tions that have been given to us to date, the present suggested deficit appears to be the one that has only been arrived at after every possible consideration has been given to what must be undertaken to make the exhibition the success we want it to be. I realize the Minister looked at this proposed estimated deficit quite some time ago, sent it back for further scrutiny, and has now arrived at the decision that on the basis of the anticipated attendance, this is the best we can expect. While I say that, I think that the Canadian taxpayers deserve the fullest scrutiny of the expenditures. I believe they have a right to know that their dollars are being protected as well as possible. I do not think that there is any suggestion that anything has been done that should not have been done, and I think that the Committee in its investigations, will prove this to be the case. At the same time, I think that damage was done to the reputation of the exposition by the Auditor General's Report.

I think that the government was lax in its obligations to Expo '67 in not amending the legislation as it presently exists, because this is the reason why, when one reads the Auditor General's Report, most of the criticism that was pointed at Expo was made; it is not that there are any arguments about the way they spent the money. It is just the fact that there is some doubt whether the present legislation covers the way they are operating at the present time. And while it may be well and good that the government of Canada, the government of the province of Quebec, the government of the city of Montreal are in agreement that these actions should have been taken in this way, the Parliament of Canada has certainly not approved, or there is some doubt whether they have approved, that the borrowings should have been done the way they have been done.

I believe the Government has been lax in not moving forward with amendments to the legislation. It is my hope that the Committee will recommend that the legislation be amended, so that there is not any doubt in anyone's mind that we are moving forward in a legitimate manner, and that there will not be any possibility of the Auditor General being able to say, the next time he makes a report, that everything is not being carried out in a legitimate manner. I think also that we should expect an explanation from officials of the exhibition about the specific problems that the Auditor General brought out in his report; for example, the car rentals and insurance and things of that nature. I think the people deserve an explanation in so far as this is concerned. I might conclude by saying that up to now we have been a little hesitant about saying how much money is being expended on the site, how many buildings are going up and what the deficit is going to be, but we should take a positive approach. I think we should tell everybody in Canada and in the rest of the world just how much money we are willing to spend, how much money we are willing to gamble to put on the best exhibition that has ever been put on in the world, and attract more people to it than has ever been attracted to a world fair, because it is the biggest and best thing that has ever been produced of this kind in the world. I think also it is probably the biggest single effort that has ever been made by Canadians. It could well surpass the construction of the seaway as far as the financial involvement is concerned, and I think we should see that all Canadians are made aware of this, are proud of it, and will participate in it to see that it is the success we all must hope it will be. Thank you.

● (2.21 p.m.)

The CHAIRMAN: Thank you, Mr. Coates. Do you have preliminary response, Mr. Winters.

Mr. WINTERS: Yes; before we get into the details I think I should reply to the suggestion that the Act is not clear, at least that the Act on the one hand, and what is being done on the other hand, do not harmonize. We have had many discussions with the Auditor General on this point, and I believe that it is safe to say that there is no doubt remaining in anybody's mind that the Corporation is acting four square within the framework of the statute; that the moneys being provided by the governments are in accordance with the statute, and that we are, in all respects, operating within the framework of the statute. To the best of my knowledge, there is no requirement at this time that the statute be amended. I would be perfectly willing to have any of the officials supplement or change that. Mr. Kniewasser?

Mr. KNI EWASSER: Mr. Chairman, our job is to build the exhibition in a short period of time in the way prescribed by the Act of the government of Canada, and the Act of the province of Quebec, and we have not done badly so far. We would be pleased to deal with that part of Mr. Coates' statement if you wish, sir, in respect of the specific things raised about the administration of the exhibition within the framework of the Act, but I would prefer not to be involved at this time.

Mr. WINTERS: I think the distinction that Mr. Coates had in mind was that whereas the advance to the corporation was \$20 million, the statute was not clear as to how the subsequent financing was to be made available. We think the statute is clear, and that it is to be on a loan basis by the governments concerned. I think perhaps there might have been a misunderstanding arising out of the Auditor General's Report. I do not think there is any doubt in our minds on that point.

Mr. COATES: I refer to page 133, where he states in the third paragraph:

The finance statements of the Corporation for the year ended December 31, 1964, showed that the grants made by the three governments in respect of 1963 and 1964, totalled \$18,878,000, of which the government of Canada contributed \$9,439,000, the Government of the province of Quebec, \$7,079,000 and the city of Montreal, \$2,360,000. The 1964 report of the joint auditors, made in compliance with section 17 of the Canadian Corporation for the 1967 World Exhibition Act, drew attention to the fact that the sum of the grants received by the Corporation from the participating governments (\$18,878,000 as shown above) and the outstanding commitments under major contracts entered into prior to the year end (approximately \$26 million) exceeded the sum of the statutory amounts (\$40 million) which could be paid by the participating governments under the existing legislation.

The arrangements have since been concluded by the Corporation to borrow funds from the Minister of Finance to meet its future corporate needs, etc. This is, in my opinion, what caused most of the furor at the time that both the provincial auditor general's report and the federal Auditor General's report were made, and it did damage to the exhibition.

The CHAIRMAN: Mr. Coates, before asking Mr. Kniewasser, his associates or the Minister to respond, perhaps you might indicate which report you were quoting from.

Mr. COATES: Yes. It is the report of the Auditor General, House of Commons, for the fiscal year ended March 31, 1965.

The CHAIRMAN: For the fiscal year ending March 31, 1965?

Mr. WINTERS: The provisions of the statute give us the powers to borrow for the Corporation and we have been using those powers within the framework of the statute and I believe the Auditor General is satisfied now.

The CHAIRMAN: Are you going to address a supplementary question at this time?

Mr. HEES: No, I could add something to this perhaps. I think we all agree with Mr. Coates of the excellence of this operation that is going on, and that it is going to be the finest exhibition of its kind that has ever been put on in the world, and it will cost a lot of money. Nobody is criticizing at this point the fact that too much money is being spent, or that it is being spent wrongly, but when the Auditor General came out with his report, the public read in the papers that there is criticism about the way the money is being raised, and one thing and another. I think, Mr. Coates' idea, and it certainly is mine, is that it would be well if the Minister could soon categorically reply to the Auditor General where he claimed that there were things going on that should not be going on, in his opinion, which is the belief that the public are left with. In the interest of having the public of Canada believe that this whole operation is going on 100% four square in the way that it should be proceeding, I think it is desirable, as Mr. Coates has said, that the Minister or somebody should say, "This is how it is being done", and leave it clearly in front of the public that everything is being done exactly as it should be. I am convinced it is, and I think Mr. Coates is, but he thinks and we think, that the public should know that this Corporation is operating the way it should; that it should be clearly stated and then it is done with and out of the way.

Mr. WINTERS: That is going to be done item by item, Mr. Chairman and Mr. Hees. Perhaps I could read from the Auditor General's Report dated March 31, 1966.

The CHAIRMAN: It is found in the third annual report to the Canadian Government World Exhibition for the year 1965, which has just been distributed to the Committee.

Mr. WINTERS: Subparagraph (c) states "That the transactions of the Corporation that have come under our notice have been within the powers of the Corporation under the Canada Corporation for the 1967 World Exhibition Act and any other act applicable to the Corporation". This is four square within the statute.

Mr. HEES: What page is that?

The CHAIRMAN: There is no page number, but at the end of the formal report there is a heading, section 7, entitled "Auditor's Report". If you turn the

page you see, in effect, a certificate dated March 31, 1966 signed by A. M. Henderson, Auditor General of Canada, and Gustave E. Tremblay, Quebec provincial auditor.

Mr. HEES: I have not seen this.

Mr. WINTERS: No; it is a recent report printed not very long ago, but please pursue any of those individual questions you have anyhow.

The CHAIRMAN: If you have any specific questions arising out of the Auditor General's Report, I gather the officials will be pleased to deal with it.

Mr. COATES: I think Mr. Kniewasser knows what the questions are, I think he is well aware of them. I think if he just gave a general explanation of what actions, if actions were necessary, were taken to correct the situation that would be satisfactory.

The CHAIRMAN: Mr. Coates, before beginning this section, I wonder if we could excuse the Minister. Apparently after our meeting was scheduled he was asked to preside over a cabinet committee meeting on rather short notice, and in spite of that, to accommodate the Committee, he has flown down here especially to present his statement. Perhaps he could stay a few moments longer, but if there are still questions we may want to put to him directly, if we are not satisfied, we may have another hearing in Ottawa, or deal with this when item 1 comes back, whatever the wish of the Committee may be.

Mr. HEES: Mr. Chairman, I have to go back early too and the Minister was kind enough to say that he would give me a ride back in his plane. I wonder if I might just make a couple of comments before we go. Would that be satisfactory?

The CHAIRMAN: It certainly would be satisfactory.

Mr. WINTERS: Yes.

Mr. HEES: I will not take more than two or three minutes. I just want to say, Mr. Chairman, I think it was an excellent idea to bring us here. I think it has been a great education for all of us, especially for myself who has not seen the exhibition site for the last year. I have been tremendously impressed, as I think we all have been this morning, with what we have seen. You really have to see this operation to believe it, and the difference that has taken place since I last saw the site, and what is going on today, is almost, as I say, unbelievable. I think we owe a great debt of gratitude to Mr. Shaw and his staff for the able way that they have explained what is going on to us, and the visual presentation this morning of the tour of the site. I think we are all convinced, as Mr. Coates has said, that this is going to be the finest exhibition that has ever been put on anywhere in the world; that all Canadians should be thoroughly proud of it, and I, like him, and I am sure my colleagues, are very proud to have been a member of a government under which it started, and I commend the present government for the way that it has been carried on. I certainly commend the staff under Mr. Shaw for the way it has carried on this operation. I think it has been a magnificent job well done. Looking at the expenditures and being conversant with the way that big business operates, I feel the way that this has been carried out, of building up in such a short space of time this operation, has

been in accordance with the way business operates generally, and I feel very happy with what I have learned.

I am glad, as a former minister of the department, to see the business development bureau becoming established, I think it is going to help generate trade for Canada, and I would think that perhaps the members of this Committee could be very helpful in talking to business in various parts of the country, to try to persuade them, or to help persuade them, to participate more freely than they have been willing to participate so far in the exhibition itself, because I think it would be in their own interest.

I would just like to conclude by saying that I thoroughly congratulate all of those participating in the operation of the fair, and preparing it; and once again, I would like to say that I am convinced, as I have been from the moment that Mr. Shaw took over, as I think you know, Mr. Kniewasser, several years ago when I was a director, I was convinced when I saw the way he took over that this was going to be ready on time and it would be a magnificent operation. I have never changed my opinion and from what I have seen today, it has been multiplied several times over. Thank you very much.

(Translation)

The CHAIRMAN: Perhaps you might allow Mr. Grégoire to put a question directly to the minister?

Mr. GRÉGOIRE: Mr. Chairman, since I am the only member of the third parties here, I would like to take advantage of the occasion to make several remarks. Today was my first opportunity to visit the grounds of Expo and really I was overwhelmed to see all the work which has been done. I must add my congratulations to those already extended to the people in charge of Expo. It is easy to see that they are competent people and are bringing the work to a successful conclusion. I believe as well that all those from the different departments whom we have heard express their views deserve our congratulations. I should like to add others, who perhaps have not yet been mentioned. This morning, when we visited the grounds, we were able to admire the magnificent setting, its beauty, and its picturesque nature, right in the middle of the St. Lawrence River. I must address my congratulations to a man who championed the choice of this site and who defended his idea with tenacity: the Mayor of Montreal, Mr. Jean Drapeau. I think it would be good to add that Mayor Drapeau deserves some of the congratulations which are forthcoming today for all the fierce determination he brought to the realization of Expo 67 and especially to the realization of Expo 67 in its present site, in one of the most beautiful spots in Canada. I say "one of the most beautiful spots" so as not to arouse unnecessary discussions here, but I do believe that the site is very well chosen and I believe that work is going ahead rapidly. I was even surprised by it. We sometimes go by on the Jacques-Cartier bridge, coming home from my residence in Ottawa, and from the parapet we watch the work. Not seeing everything, we hope that it will be finished in time. Moreover, it must be finished in time. It looks as if it will be finished in time. Then again I am convinced that if Canada's business community were participating in Expo the way all the other countries are, then it would be a success. I notice that there are about 40 or 45 exhibitors from the business world. I think that this number could be increased if the

minister of trade—and I believe he has an enormous influence on the business world in Canada—if he joined the struggle, as he mentioned just now, to attract the largest possible number of exhibitors from the Canadian business world. This would make for an even greater success for Expo 67 and I hope that it will be one of the greatest successes and one of the finest triumphs that Canada has ever known.

The CHAIRMAN: Thank you very much Mr. Grégoire.

(English)

Do you have any further comment, before you leave.

Mr. WINTERS: No, I would just like to thank Mr. Grégoire, Mr. Hees, and Mr. Coates and say that I share the remarks made about Mr. Drapeau. He made a splendid contribution, an outstanding contribution, to the success of the exhibition which is going to be an enormous credit, not only to Montreal but to all of Canada; and the province of Quebec, of course, must share the responsibility and the commendation as well. Thank you very much.

The CHAIRMAN: Before resuming our questioning I think we should permit Mr. Winters and Mr. Hees to depart.

(Translation)

Now, we shall ask the parliamentary secretary (Mr. Cantin) to take his place. The next name on my list is that of Mr. Clermont.

Mr. CLERMONT: Thank you, Mr. Chairman. I join the three preceding members who—

Mr. GRÉGOIRE: Mr. Chairman, are you of the opinion that the period we have just spent was a question period or are we starting the questions now?

The CHAIRMAN: Yes, I believe so, Mr. Grégoire.

Mr. GRÉGOIRE: Because I had a few questions to ask.

(English)

Mr. COATES: I was anticipating that after Mr. Winters left Mr. Kniewasser would answer the specific questions I put to him about the Auditor General.

The CHAIRMAN: Yes, we should try and handle this in an orderly fashion, in the manner we have followed in our meetings in Ottawa. It seems to have worked out quite satisfactorily. We recognize members according to a list, and we give each member a reasonable time to comment or ask questions, and I am sure the Committee will agree that we should continue this practice here. It was my impression that Mr. Coates had completed his remarks and questions for the time being, but perhaps the Committee may feel that it would be useful if he dealt with several specific points raised by the Auditor General, and then we continued uninterrupted with respect to each of the other members in turn who had questions to put.

(Translation)

Mr. CHRÉTIEN: Mr. Chairman, will you please give the list of names of persons wishing to ask questions?

The CHAIRMAN: Yes. Mr. Hees has finished with his questions and Mr. Coates has begun. There is Mr. Clermont and—

Mr. GRÉGOIRE: Mr. Chairman, I had not yet begun asking my questions.

The CHAIRMAN: No, but I have given you permission to make comments in the presence of the minister. It should be Mr. Clermont's turn to ask questions.

Mr. CLERMONT: Mr. Chairman, I have no objection whatsoever.

The CHAIRMAN: After Mr. Grégoire, it will be the turn of Messrs. Andras, Lambert, Chrétien. I think that I have omitted a few names, but now I shall add that of Mr. Comtois.

(English)

Mr. Coates, the Committee I think agrees that it would be useful if you dealt with the specific questions raised by the Auditor General; we will permit you to continue your questions at this time.

Mr. COATES: Mr. Kniewasser, there are four areas where the Auditor General found fault with the operations of the Corporation. The first one dealt with the leasing of cars, I believe, and the second one, with regard to expenses, moving expenses and such things, I believe, relocation expenses. The third one dealt with insurance policies, and the fourth one with salaries. If you would give the Committee explanations of those four, I would be quite satisfied to then turn the questioning over to someone else.

Mr. KNI EWASSER: Mr. Chairman, just a word of introduction: we will deal with the four points and I will take two minutes to explain, or try to explain to you the framework in which we operate. We get our instructions from the government of Canada, the government of the province of Quebec, the city of Montreal, the board of directors of the Corporation, the executive committee of the board, and from many other people from time to time. We work very hard at getting all these people to give us the same instructions and to get the different points of view from the different levels of government or the board, all going in the same way, within the critical time limits we operate.

We are constantly in a position, as a Corporation, where we cannot wait a day or two days, and so we drew a master plan which is approved by the executive committee, the board, the government of the province of Quebec, and the government of Canada. In addition, each year, we do an operating and a capital budget approved by all these people again, and we operate within the framework of the master plan and annual budget. At the same time the master plan provides for how the organization is to be organized, how many employees, what grades, what salaries, and this again is approved by everybody and here, the civil service commissioners from the two governments also approve. So we operate in a complex and very rigid structure in which we are trying to do something that is fast and difficult.

It is impossible for this Corporation to spend any money that is not in the master plan or is not in an annual budget. It is impossible for us to spend any money in excess of \$100,000 or \$25,000 if the acquisition of property is involved,

unless it has the approval of the treasury boards of Quebec, Canada and orders in council from both places. That is the framework in which we live, that is the life we live.

There were two specific areas raised by the Auditor General. First of all, there was the question of the financing of the exhibition and really, as you indicated, sir, this is a dispute among the auditors and the lawyers; the Department of Justice takes one view, the auditor has taken another view, I believe, as the Minister has indicated, the Auditor General is now satisfied; but this was the way we were told to finance, and this is the way the governments are financing it, and naturally the Corporation had a little to say in this, and we would be pleased to take your instructions and finance the way you wish us to.

The auditor did raise four points on operating procedures. These were operating procedures approved by the board of directors, and funds for which were provided by the two governments and the Board. The auditor nevertheless took the view that these four areas were unusual for a government operation. I will now ask Mr. Rediker to give you the Corporation's comments on these four areas, which I repeat, were approved in advance by the board and by the two governments who control it.

Mr. REDIKER (*Director, Finance and Administration, Canadian Corporation for the 1967 World Exhibition*): Mr. Chairman, gentlemen, I have a written report here which I could read quite quickly on the four items: auto, insurance, salary, and relocation.

The CHAIRMAN: Before you do so, Mr. Rediker, perhaps you could state your position with the Corporation.

Mr. REDIKER: Yes, I am the director of finance and administration.

Two years ago the Auditor General and the provincial auditor questioned certain business policies already approved by the board of directors and included in the government approved budget. At that time, the board of directors gave careful and thoughtful consideration to the points raised, and came to the conclusion that the policies questioned were, in fact, consistent with good business practice and in the best interests of the exhibition. Therefore, no change was made. The Auditor General and the provincial auditor raised points in four specific areas. They pointed out that the Corporation was renting automobiles, and that certain employees were permitted to use these automobiles during non-working hours for personal driving in return for a monthly payment of \$30 by the employee to the Corporation. The only method of getting around the construction site, transporting representatives of visiting exhibitors, attending the numerous meetings and functions in the Montreal area, and providing adequate transportation for senior personnel who are required to work constant, long hours, is by automobile. An employee should not be requested to use his own car on a large construction site, nor can he be asked to make his car available for the transportation of V.I.P.s.

Three cars are chauffeur-driven; during working hours they are used for the transportation of guests and for general messenger service. All cars are pool cars, including that of the Commissioner General. Because of the relatively small number of cars involved, it would be uneconomical to follow the policy of the Department of National Defence which provides drivers, dispatchers and

maintenance facilities for all government cars. The only practical solution, therefore, was the rental system installed, although it happens that the automotive industry, as a part of their participation, is now providing most of these cars to the Corporation rent free. The \$30 per month charge for personal driving was estimated on the average number of miles from the office to the place of residence of the employees granted this privilege. All such employees are called upon to work long hours.

The government auditor pointed out that in many cases—this is the second point on relocation—relocation costs would not have qualified for payment under the regulations laid down by the federal or provincial treasury boards. Actually our relocation regulations were based on the regulations of government departments and crown agencies and compare favourably.

The government auditors mentioned that the Corporation carries special accident insurance—this is the third point—which I might point out, costs \$72 per employee, and last year, included in our budget, we had an amount of approximately \$3,000 for this item and it cost us \$2,900 so we are not talking about a huge amount of money.

The government auditors mentioned that the Corporation carried special accident insurance for Corporation officers and that the beneficiaries named are the estates of the insured officers. This is correct and is in keeping with the practice of both crown agencies and private corporations where employees are involved in constant travel. The Corporation's insurance policies apply only to those employees who are called upon to travel regularly. The practice of naming estates as beneficiaries is universally followed by the organizations checked by us.

The fourth item. The government auditors pointed out that the Corporation has appointed a number of new employees at salaries substantially in excess of previous earnings, and questions whether the practice should apply in the cases of civil servants and others given leave of absence to work for the Corporation with their re-employment in their old jobs guaranteed at the end of the period. In this discussion the auditors also pointed out, that in 1963, there were 40 appointments to positions with authorized maximum salaries of \$10,000 per annum and over; initial or starting salaries have been paid at rates higher than the establishment rates, and in certain cases, the maximum rates have been paid immediately upon appointment at some of the most senior levels. Salary scales and establishments of the Corporation were based on responsibility surveys of current salaries and were then submitted to the civil service commissions of the federal and provincial governments and were compared with the rates of the City of Montreal. Thereafter, the establishment and salary scales received the approval of the Corporation's board of directors, the Treasury Board of the federal Government and the province of Quebec and the approval of the Governor in Council and the Lieutenant Governor in Council. This is all in accordance with the Act.

● (2.50 p.m.)

Salaries established within these scales are based on the qualifications of the applicant and on the responsibilities of the position filled. Naturally, they relate only to the position filled in the Corporation and not to the position

previously held by the applicant either in government or elsewhere. Very few, if any, of the Corporation's employees have their old jobs guaranteed at the end of the period. It is true at this time approximately 10 per cent of the employees of the corporation are in supervisory and management positions. However, these employees are responsible for the supervision of construction employing over 10,000 men on Expo work. With the exception of the installations department which is responsible for the design and the construction, all departments are engaged primarily in planning and organizing for the six-month period that the Exhibition will be open. During that period, there will be 25,000 employees and a daily average of 175,000 visitors will be on the site.

With respect to the 86 employees who received increases during 1964, 14 were promotions to higher responsibility. Of the balance, 35 were employed at rates substantially too low for the responsibilities carried which made adjustment essential, and the remaining 37 were merit increases based on performance. In every case, the increases referred to have resulted in salaries that are within the approved establishment and salary scale. Although when the salary scales were established in 1963, we added 10 percent in the supervisory category to provide for escalation, recent surveys indicate that the going rates have overtaken this provision. A general review and upper adjustment of salary scales is therefore now in process. Actually this last part applies to our engineers and architects who, we discovered, were earning less than city of Montreal, Quebec Hydro and other engineering people, and we carried out a survey to establish what those rates should be.

The CHAIRMAN: Mr. Kniewasser, you have a supplementary comment?

Mr. KNEWASSER: Mr. Chairman, if I may, I would like just to add to what Mr. Rediker has said. This is in relation to the personnel of the Corporation, the morale in this place, the difficult time we have in attracting people to come and work here. The country is prosperous and people are reluctant to give up their careers to come and work day and night to build the exhibition. Although I must say now the success of the exhibition is more certain, we are having greater luck in attracting the kind of people here than we had two years ago. There was criticism of the Corporation's action in paying removal charges and really this was one of the most difficult things for me to understand.

We had a deliberate policy of bringing people from all parts of Canada to build this exhibition. We could have saved a few thousand dollars by hiring people only in the Montreal area, but we brought people from Vancouver, from Saint John, from Newfoundland, from every Canadian province. We have people from all over Canada now working together in our shop and really I think that was some of the best money we ever spent, because one of the great by-products of the exhibition, is that we are demonstrating that you can bring Canadians together from all across the country; they have never seen each other before; give them an impossible job; have them work in the two official languages of this country, get the job done and make friends in the process. That is the end of my statement.

The CHAIRMAN: Mr. Coates, do you have anything to say.

Mr. COATES: Thank you.

(Translation)

The CHAIRMAN: Mr. Clermont, you may speak now or you may let Mr. Grégoire speak. The choice is yours.

Mr. CLERMONT: Mr. Chairman, I wish to join the three members of Parliament who have preceded me in order to congratulate the Committee officials who have organized this visit and in order to thank the administrators of the Expo 1967 Corporation for the welcome which has been extended to us. Like Mr. Grégoire, I am surprised at the extent of the work which I noted as I crossed the Jacques-Cartier bridge. I wonder whether the management of Expo could not make use of the CBC in order to let Canadians know—for instance, ten or fifteen minutes per day—the extent of these projects which will certainly surprise the population. I believe that these programs would have an unprecedented success. I should now like to refer to the budgetary estimates. Regarding the construction of the administration building, you state that the cost stands at \$4,222,000. Could you tell us what the initial estimates were? Secondly, is the sales price of this pavilion included in the \$5,932,000 income?

The CHAIRMAN: Can you answer this?

Mr. KNEWASSER: With your leave, Mr. Chairman, I shall first ask Mr. Jasmin, our director of public relations, to explain what arrangements he has made with the CBC, and then, Mr. Rediker, to explain the details of the financing of the administration pavilion.

The CHAIRMAN: Mr. Jasmin, if you please?

Mr. JASMIN: Mr. Chairman, with regard to publicity which the CBC can undertake for us, the French network gives us at the present time a half hour per week entitled "Voici Expo 1967", on Sunday afternoons, at 6:30 p.m. This has been going on for the past two years and is a very important contribution.

Furthermore, as soon as there is news directly concerned with the exhibition, the CBC television and radio services are at our disposal to show the progress we are making. I think that the public is generally quite well informed with regard to the progress of the exhibition. I want to point out in particular those programs of extreme interest, which are sometimes press conferences, which are recorded on Saturdays in order to be broadcast on Sunday.

The CHAIRMAN: Are you referring only to the French network or also to the English network?

Mr. JASMIN: I am referring to the French network in answer to Mr. Clermont's question.

The CHAIRMAN: I think that his question was intended to cover everything which is being done by the CBC.

Mr. CLERMONT: As both the CBC and Expo are Canadian enterprises, do you think that programs of one half hour per week are sufficient to inform the Canadian population?

Mr. JASMIN: Let us say that you are touching my weak point—

Mr. CLERMONT: Personally, I think that a half hour per week in order to advertise Expo 1967, is not sufficient.

Mr. JASMIN: Thank you, Mr. Clermont. We continue to press the CBC for more time. This is the way we operate with all the other information bodies.

The CHAIRMAN: Does this include the English network.

Mr. JASMIN: We have no regular program on the English network. There is a five minute program every morning, with Mr. Bob McGregor, which I think is only broadcast over the Montreal stations. This publicity material is made available to the other stations of the CBC network but it is up to the stations themselves to decide whether or not they will use it. There is no central authority which can allow us to recommend its use to these stations. Finally, this is certainly not within our competence.

The CHAIRMAN: Mr. Rediker, do you have an answer to Mr. Clermont's second question?

(English)

Mr. REDIKER: Our original plans called for a temporary administration building.

Mr. CLERMONT: What I want to find out to cut it short, have you the estimates of the original costs of the administration building. That is the only thing I want to know. Have you any idea of the original cost, because you are adding an additional expense of over \$4 million.

Mr. REDIKER: Well, if I could go through the costs, I think to take this particular building as it is, \$5.5 million, operating costs \$713,000 to the end of the exhibition. We consider an asset value equal to the original capital cost of \$5.5 million and when you look at the building I really do not think you will have very much trouble getting such a price. We are also anticipating sponsorship, from Canadian industry, of \$608,000, and actually you have a schedule on this and when you put all of these figures together you arrive at a net cost which could be classified as rent to the Corporation for a period of two years or more of \$100,000. This was considerably cheaper than renting and was also considerably better than building a temporary building which we had planned for at the beginning where there would have been virtually no salvage value and would have cost, according to our estimates, nearly \$2 million with no return.

(Translation)

Mr. CLERMONT: In the budgetary estimates, page 6, a sum of \$9 million has been added in anticipation of rising prices of 3 per cent of total costs. How did you reach the 3 per cent?

Mr. KNI EWASSER: I shall start and if I lack details, I shall ask Mr. Bowen to continue.

First of all, the 9 million dollar reserve applies exclusively to the fixed assets budget. This was the figure estimated right from the beginning by Colonel Churchill, who is the director of our department. This figure was not arrived at through the percentage system, but through an estimation based upon factual experience. For the time being, we have not used these nine millions, although they are part of the general plan, in case the need should arise. It would thus be possible for the Corporation, the year before the opening

of the exhibition, not to return to the government in order to change the general plan. Thus, we think that with this reserve, it is possible to open the exhibition without changing the general plan. Is this to your satisfaction?

Mr. CLERMONT: What do you base yourself upon with regard to the 3 per cent?

Mr. KNI EWASSER: On the estimates of the construction department, without particular reference to price increases, but to a precise knowledge of the projects.

Mr. CLERMONT: On page 8, of the budgetary estimates, you indicate an increase of \$14,017,000 for administration costs. You had estimated the original cost of 13.6 per cent of total expenditure. Now with this additional \$14 million, it represents 13.75 per cent, but I find that . . . between 13.6 per cent and 13.75 per cent of \$323 million, where does the \$14 million come from? How do I establish the percentage?

Mr. KNI EWASSER: I think that the wisest way of answering you is by saying that the administrative budget now represents 13 per cent, 13.6 per cent of the overall budget of the general plan, and that it previously stood at the same 13 per cent figure. Thus, given a vaster plan, a vaster general plan, to which many other projects have been added, as Mr. Shaw explained it, the administrative percentage remains equal, i.e., 13 per cent of the overall budget.

Mr. CLERMONT: My last question for the moment, Mr. Chairman, is as follows: it has been mentioned that there may be 30 million visitors, of which 300,000 come from Europe, 5 million from the United States and the rest, I imagine, from Canada. But how many people will return? Because all told there are not 20 million people in Canada who—Do you have any idea—

Mr. KNI EWASSER: I wish to ask Mr. Philippe de Gaspé Beaubien, director of our development department, to take the floor.

The CHAIRMAN: Now, Mr. de Gaspé Beaubien, since this is now part of the work day you may speak more slowly.

Mr. de GASPÉ BEAUBIEN: Thank you, Mr. Chairman, I do not know whether I have understood you well. 21 per cent of the visitors expected at the exhibition is to be found within a radius of 50 miles from Montreal. 21 per cent of the visitors is to be found in the rest of Canada. 55 per cent of the visitors will come from the United States of America, and the rest will come from other parts of the world. We estimate, according to calculations made by consultants, that the average number of visits made to the exhibition by people coming from the outside will amount to three visits to the exhibition. We sincerely hope, by means of the residence passport and other Centennial activities, to be able to induce the visitors to the exhibition to remain here far longer than three days. They will spend three days at the exhibition, and if we are intelligent enough, if we are smart enough as Canadians, we shall keep them for the duration of their two week holidays. We hope to be able to keep them three or four additional days at the exhibition and to share the other ten days which they will spend in Canada with the other provinces of Canada. This is why we have announced all the other Centennial activities in the official guide, so that the visitors from outside will be induced to spend not only the three days predicted, but the entire two weeks of their holidays. With regard to the local population, our

estimates show that they will spend about six visits at the exhibition. In order to meet this problem, we have brought out the season passport, which now sells at 20 dollars in all banks in Canada. This season passport gives admission to the exhibition during 183 days if so desired, at 11 cents per day. We hope to be able to boost the average of 7 visits to ten and fifteen visits to the exhibition itself. Have I answered your question?

Mr. CLERMONT: Very well, indeed. Thank you, Mr. Chairman.

(English)

The CHAIRMAN: Thank you, Mr. Clermont, the next name I have on my list is that of Mr. Grégoire to be followed by Mr. Andras. Mr. Grégoire.

(Translation)

Mr. GRÉGOIRE: Mr. Kniewasser, today we have received the list of those who will participate in the exhibition. I notice countries about which we are fully informed, but they are certain countries, such as Morocco for instance, which joined on December 16, 1963, whose lot number and lot size are yet to be established; their commissioner general has not been named, nor the liaison agent, nor the principal architects and their Canadian associates. Does this mean for instance, that Morocco has done nothing to date?

Mr. KNEWASSER: Mr. Chairman, with your permission, I shall ask Mr. Robert Letendre, who is the director of our department of exhibitors, to explain the present situation.

Mr. GRÉGOIRE: Now, Mr. Chairman, by way of clarification, I could give other examples, as for instance on page 3, Venezuela, although it has appointed its commissioner and the lot number has been established and also its size, there is no architect's name. Does this mean that the plan itself has not been started, since there is no architect? There are others, such as Malaysia, for whom neither the commissioner nor the architects have been named; further information is awaited. There are many like this, especially towards the end of the list. In short, could you tell us how many countries have joined, two, how many countries have drawn up their plans, three, how many countries have started, four, how many countries will, according to you, be ready in time, five, how many countries will be ready during the course of the exhibition, and how many countries will not participate at all, even though they have joined?

Mr. LETENDRE: Robert Letendre, director of exhibitors at Expo.

The CHAIRMAN: The official title of Mr. de Gaspé Beaubien, please?

Mr. de GASPÉ BEAUBIEN: A good question, Mr. Chairman. I am the director of development.

Mr. LETENDRE: Mr. Chairman, certain problems arise because of countries which, like Morocco, find it difficult to obtain foreign currency. Morocco in particular, is a very well chosen example. We have not yet received the plans for the Morocco pavilion and we are really quite worried. This is why Mr. Dupuy will visit this region between the 12th and the 22nd of June in order to see the Morocco authorities again and should their plans not be any further advanced, to convince them to join the Arab pavilion (we have the pavilion of

the Arab League), to try to convince the Moroccans to join those countries which have already accepted to take part in it. We thus hope to keep Morocco in this exhibition by making its participation on a reduced scale possible, in other words, according to their present means, in other words by having a unit, and allotted space in the Arab League pavilion. The case of Venezuela, on the contrary, is very encouraging. We have received the model, we were visited by the Venezuelan architects last week, and the Canadian architect has already been chosen. The Venezuelan budget amounts to \$1,000,000, and it is a magnificent and entirely modern pavilion which be built. Malaysia presents a very special difficulty, due to the expenditures which it has incurred. In view of the political difficulties in the southern region of Asia, we may have to strike the name of Malaysia from the list if we do not receive a definite answer from this country concerning its plans within the next ten days. To be more specific about the answer which Mr. Grégoire has asked, it can be said that out of the 74 countries which have joined up to the present time, there are 65 on which we can count without any doubt. There are four which we will certainly recover, bringing the figure up to 69, and there are certainly five or six really doubtful cases, because of the difficulties entailed in the participation for these countries. Now I take the occasion to point out here the very wise decision made by the Canadian Government—since I have had occasion to visit nearly all the countries of Central Africa—the very wise decision of having approved the construction of a Central African pavilion, the African pavilion. Otherwise, not one of the sixteen countries joined in this pavilion, could have participated in Expo 1967, which means that the new democracies would have been deprived of the occasion to participate in this exhibition whose theme is “Man and His World”. This also means that Canada, which has always had a reputation in the world for helping the poor and even at times the rich, truly wants to help the developing countries to participate in this exhibition. Thus, Mr. Grégoire, it is certain that we are experiencing some difficulties at the present time with some of these countries, but our technical help is an important factor. Take the case of Mauritius Island for instance: it had difficulties, because it lacked the necessary technicians, thus the Canadian Government, through Expo, authorized us to give it a helping hand at the technical level as we did in the case of certain African and Arab countries.

Mr. GRÉGOIRE: Mr. Letendre, you mention 65 countries, you say that you can count without a doubt on 65 countries. Have all 65 of them produced their plans?

Mr. LETENDRE: Yes. I must make a distinction though for perhaps two countries whose plans have not yet arrived. First, we only have the preliminary plans for Greece, but the Greek architect was here last week with the commissioner general, Mr. Demetriou, and the plans are about to be completed. The same thing applies to Mexico, but the Mexican architect will arrive here on Friday and since a large part of the Mexican pavilion will be prefabricated, it presents no problem at the technical level.

Mr. GRÉGOIRE: Thus, at the present time there are 63 whose plans you have. Have the specific sites and their respective size been determined for these 63?

Mr. LETENDRE: Yes.

Mr. GRÉGOIRE: Of these 63, how many have started building?

Mr. LETENDRE: Mr. Chairman, I should like to ask Mr. Fiset, our chief architect, or Colonel Brown, to answer this part of the question.

Mr. Fiset: Excuse me, but it is rather difficult to remember figures accurately. I should like to say that among those who have started building, there is among others, the African pavilion, which is a pavilion which is being built by the Corporation and which includes 16 countries. Thus, the construction of this complex of pavilions embodies the active participation of 16 countries. As I do not remember the figures, I wonder whether Mr. Oakley might have them, but there is—

Mr. GRÉGOIRE: Since it is Expo itself which is building it, you thus have your plans, and you are sure to complete those 63 on time. In as far as the others are concerned, you do not exactly know how many have started building.

Mr. Fiset: No. I might say though that there are less than ten who have not started.

Mr. GRÉGOIRE: There are ten or so which have not started building.

Mr. Fiset: This is subject to verification.

Mr. GRÉGOIRE: Fifty-eight have started building—

Mr. KNEWASSER: —including the joint participation of the African countries.

Mr. GRÉGOIRE: Taking the majority of these fifty eight, do you estimate at the present time that the work is fairly advanced or merely at the starting point.

Mr. LETENDRE: We use the critical path system which is the Bible of our friend, Colonel Churchill, and we are able to tell up to within one week where the work on each pavilion stands, thanks to the system used by this electronic machine. One of the pavilions was two and a half months behind schedule, the French pavilion, but at the present time, France is only 14 days behind schedule, this means that all the time will be recovered. Difficulties also arise with the large pavilions, such as that of the Soviet Union, but there is a parallel way to the critical path under study at the present time, in order to recover the time lost. This means that Expo devotes the services of some ten people solely to keep a sharp eye on the pavilions of foreign countries and to see to it that these pavilions are completed in time for the opening.

Mr. GRÉGOIRE: Do you have a special department for that?

Mr. LETENDRE: Yes.

Mr. GRÉGOIRE: And when you say: completed for the opening, this means entirely completed?

Mr. LETENDRE: Entirely completed, because all completed pavilions must be entirely completed prior to April 1, 1967.

Mr. GRÉGOIRE: Will the landscaping and the Expo stream be completed, and the highway network, the transportation system—do you, at the present time, expect all this to be completed before the opening of the Exhibition?

Mr. Fiset: Further to what Mr. Letendre has just said on the subject of foreign pavilions, all matters coming under our direct control are administered with an iron hand and we ensure the coordination of all engineering and landscaping projects with those of the exhibitors and we do not have the

slightest worry where our own share is concerned. There is a certain intangible element with regard to foreign participation. We have no control over internal developments in other countries which may affect the pace of their participation. I believe that we are constantly on their heels.

With regard to landscaping, I do not know whether you have had the opportunity of seeing the site, the park of Notre-Dame Island which is well underway to completion. Out of 10,000 important trees, i.e., of dimensions varying between 18' and 30', we have planted over 7,000 and the landscaping follows closely on the heels of the construction proper.

Mr. GRÉGOIRE: Briefly, Mr. Kniewasser, you expect that the pavilions of 65 countries, and also the whole belonging to your jurisdiction of Expo will be completed on time, and that there may be five or six more countries whose pavilions will be on the point of completion.

Mr. KNEWASSER: That is right, Mr. Grégoire, we think that 65 are now in the bag, and we have high hopes to add another five or six.

Mr. GRÉGOIRE: Now, there is another point about which I should like to ask a few questions. There is talk about reselling buildings, as, for instance, the administrative building, perhaps the monorail, and others of this kind. Thus, this means that you have already started making plans in order to get rid of what will perhaps constitute a whole or a complex meeting the wishes of the population of Montreal and surroundings—do you really expect to sell everything? Or do you have no alternative plans to keep this, even though it be not as an exhibition, at least to keep the site the way it will be constructed?

Mr. KNEWASSER: I shall ask Mr. Delorme, our legal counsel, to go into details. Mr. Delorme?

● (3.16 p.m.)

Mr. DELORME: Mr. Chairman, first of all, a distinction must be made between the pavilions of foreign countries and those built by the Canadian World Exhibition Corporation. With regard to foreign pavilions, each one of the foreign countries undertakes to demolish its pavilion as soon as the Exhibition is over. Now, as regards the pavilions of the World Exhibition Corporation, as we have told you some have been put up as permanent buildings but this is a little beyond our jurisdiction; the Corporation's powers are obviously limited to the Exhibition as such. That is why the law provides that the governments will be called on to decide how the Corporation should dispose of its assets at the end of the Exhibition. We will doubtless make recommendations to the governments. Parts of these recommendations have already been made in the main plan when we obtained the agreement of the governments to construct some of the pavilions on a permanent basis while others are built on a temporary basis. Have I answered your question?

Mr. GRÉGOIRE: Does this mean that the part belonging to foreign countries or to industries and businesses will be out of your control afterwards?

Mr. DELORME: Except that we have the right to impose the obligation to demolish the buildings. Obviously each country taking part and each exhibitor in the private enterprise sector is free to make their own arrangements for the disposal of their pavilions.

Mr. GRÉGOIRE: To whom does all the land belong?

Mr. DELORME: That depends on where it is situated; let us say that most of the site—that is the Ile Sainte-Hélène and the Ile Notre-Dame—belong to the City of Montreal; what we call the Mackay jetty belongs to the Government of Canada and is administered by the National Harbours Board except for the part in this region—that is the region of the administration pavilion—which belongs partly to the City of Montreal, partly to the Central Mortgage and Housing Corporation, partly to the Canadian National Railway and partly to the National Harbours Board. It is quite confused.

Mr. GRÉGOIRE: It does not belong to anyone?

Mr. DELORME: Say, rather, to everyone.

Mr. KNEWASSER: If, Mr. Grégoire, you will allow me to add a few words, I hope that you will be interested in the fact that a few months ago the Corporation's Board of Directors formed a committee to examine the possibility of prolonging the effect of the Exhibition in an intelligent and effective way. This committee, made up of a group of eminent people from across Canada, has as its chairman Dr. Piché, vice-rector of Montreal University.

This committee is to advise, firstly, the World Exhibition Corporation and then the governments of its policy with respect to the final disposal of the material used for presentation of things after the Exhibition.

Mr. GRÉGOIRE: This means, Mr. Delorme, that the ground itself, the base, properly belongs to the Island of Montreal; will the City of Montreal be able or have the opportunity to conclude agreements with each of the countries or enterprises that have constructed these buildings?

Mr. DELORME: I do not really know what the City of Montreal means to do but one thing is certain: there is absolutely nothing to stop the City of Montreal making agreements with foreign participants or private enterprise exhibitors about the disposal of their pavilions or simply to allow them to leave the pavilions in place.

Mr. GRÉGOIRE: At this point, even if the City of Montreal wished to intervene, could Expo intervene to compel them by their signed contracts—

Mr. DELORME: This is how I interpret the obligation on foreign countries to demolish their pavilions at the end of the Exhibition: it is protection for the organizing country so that this country does not find itself left with a large number of pavilions, all very beautiful, obviously, but of doubtful usefulness outside an exhibition. So, I conclude that Canada could certainly release foreign countries from this obligation to demolish their pavilions if the City of Montreal, the ground landlord, agreed to the presence of these constructions.

The CHAIRMAN: Have you finished, Mr. Grégoire?

Mr. GRÉGOIRE: I have a last question to ask Mr. Jasmin about the English network of the CBC. Mr. Jasmin, do you find that the English network of the CBC co-operates in Expo '67 or do they lack interest in this?

Mr. JASMIN: This, Mr. Chairman, is rather a difficult question to answer. The CBC as such cannot be accused of this; we may perhaps sometimes have felt a lack of interest on the part of some of its employees but I would not make

an accusation against the CBC as a government agency; however, some of the members of the information services do, perhaps, show a lack of interest in Expo and apparently seem to think that it is a matter of purely regional interest. Now, I think that in the opinion of most other people, Expo is of national interest.

Mr. GRÉGOIRE: Mr. Chairman, I am taking careful note of what Mr. Jasmin just said; as everyone showed just now, your Committee is interested in seeing Expo 67 become the concern of the whole country, so what Mr. Jasmin had to say should be conveyed to the CBC authorities or the Secretary of State so that, as a result, appropriate measures can be taken.

The CHAIRMAN: Apparently, the CBC is becoming increasingly used to discussing its problems before parliamentary committees and it may be that our interventions will help to solve your problem, Mr. Jasmin, if there really is a problem.

Mr. GRÉGOIRE: As I am on the Committee on Broadcasting, Mr. Chairman, I will see that this point is raised—

(English)

The CHAIRMAN: We still have to have a certain separation of interests amongst our Committees to effect the transaction of business. I would like to now have Mr. Andras begin his questioning.

Mr. ANDRAS: Mr. Chairman, I would like to commend the officials of Expo for the extraordinary effort that has obviously gone into development so far and to wish you the very best of luck in the colossal undertaking that you still have ahead of you. From what we have seen today, I think we can have confidence that this is going to be successful.

Now, I think this visit here by this Committee, in so far as I am concerned, and I presume others, generated feeling of considerable excitement about Expo that perhaps would not have been possible at this stage, except for this visit, and I would like to go on record, Mr. Chairman. My preamble here is to highly recommend the continuation of this technique by all Parliamentary committees, whenever it is reasonably possible to do so, and I mean specifically to take the committees to the field and study situations at first hand.

I have just returned from a tour of western Canada with another Parliamentary committee, the committee on transport and communications, and this is pertinent to these proceedings here. I became convinced that the act of seeing things on the spot produced a great deal more comprehension and understanding than the study of detailed analyses and the interviewing of witnesses in Ottawa. It is a two way thing and I think we need both; the relatively small expense involved in such travelling, I don't think should weigh too heavily in proceeding on such a program.

Now, in referring to the transport committee—and this is pertinent to some remarks Mr. Grégoire just made—I take great pleasure here publicly in the province of Quebec, in commending very highly the Quebec members who were on that transport committee, throughout Western Canada, Mr. Bélanger, Mr. Alexis Caron, Mr. Pit Lessard and, Mr. Tony Thomas.

The reason I bring it up here is just to mention that these gentlemen were ambassadors extraordinary for the province of Quebec, and in their good humour and good fellowship throughout western Canada did a great deal of good for understanding and national unity.

They also took on the role of being ambassadors and promoters and salesmen for Expo 67 and they lost no opportunity whatsoever in the many meetings we held and the many entertainments that were held for us and the many exposures we had with lots of people to promote Expo '67 and I think they did a very commendable job.

To go back to a point brought up by Mr. Grégoire, I think it was particularly commendable that they promoted Expo '67 as a national effort, and a national event and not a regional or Quebec promotion. I think this is extremely important, as probably the major centennial project in the province of Quebec.

Now, having made that statement and that preamble, I do have a question perhaps that should be directed to Mr. Jasmin, but you can redirect it if it is not in order.

I believe Mr. Shaw made some reference to the type of advanced bookings you were getting in your presale; I perhaps missed it. I would like some clarification whether these advanced bookings are indicating travel beyond Expo '67, travel, say, throughout the rest of Canada. Do you have any story on that, any figures on that? What is this generating beyond Expo itself, which in itself is a very commendable thing?

Mr. KNI EWASSER: We are certainly working very hard on this and I will ask Mr. Beaubien to deal with the question in detail, but I would like to emphasize something, which I think is of a capital importance, that is, in the official guide for this exhibition, we have made arrangements to show what happens everywhere in Canada, so the guide for the centenary in Canada is included in our official guide book. The centennial people in addition, will publish this and distribute it all over the world. We do not lose any opportunity, wherever we are, to emphasize that Expo '67 is part of the Centennial on our 100th birthday and that is what we are working at.

Mr. BEAUBIEN: M. le président, we have put out "Expo Voyage" which I was telling you about and this is directed to travel agents across the world. You will notice that again, the centenary emblem is as prevalent as the Expo emblem. We are working with travel agents across the world, wherever we can, to try and organize group tours, not only to Montreal, but to other areas in Canada. It is interesting, and I think that we should mention it, that one of the biggest travel agents in Europe, whom we met in Europe last week, said that it was impossible to organize tours in Canada, because there was not enough accommodation, not enough co-operation. Yesterday, he was in his office; we helped organize eight group tours and he phoned London before leaving to organize more, because he found out that there were indeed more than three hotels in Montreal.

You see, what happens is that people write Montreal to the Queen Elizabeth, to the Ritz and to the Windsor and find out that these people are booked in the months of July and August, and I have got news for you, they are completely booked in those months, and they are booked with people who are

coming to your exhibition. But there are hundreds of places where people can come during the exhibition: motels, apartment houses, hotels, new hotels, private houses; there are many people who have said and written us: "We don't want to live in an apartment, we would like to stay with a French-Canadian family. Can you arrange?" So we are trying to make a campaign across Canada that no student coming from elsewhere in Canada can go in a hotel room. They should live with other Canadians, and we are developing this B. and B. plan, bed and breakfast, nothing else.

Well, we encourage them to spend some time in a home and get to know the French-Canadian family and spend some time in La Ronde.

So, to answer your question specifically, yes, we are helping travel agents where we can to organize tours to Canada; second, we are in a position to inform more and more that there is ample accommodation in order to do this.

Now, in regard to transportation within the country, we are talking with representatives of IATA to make sure that they give us through Air Canada and C.P.A. the best rates from Europe to Canada, reductions if they can, and they have agreed to a trial period this year of a 25 per cent reduction for this year only.

Second, C.N.R. has got a special provision where they have \$99 package tour of Canada for anybody coming from Europe, where people can spend as much time travelling during that one month and it is included in the \$99 package.

Third, we are making provisions with bus companies to promote tours and trips to Canada and we are doing as much as we can with the individual service stations to make sure that there is plenty of information on Expo, in the travel agencies, and in the travel stations when they want information about trips to Montreal and to other areas of Canada.

May I say in concluding that our intention is not to compete with the Centennial. You may have got this when we are talking about it. We would like, with the help of other Canadians, to advertise on the site of the exhibition, not only in the guide book, not only in everything that comes out on the site of the exhibition, but directly on the site of the exhibition, information about other areas to see in Canada; group tours to see other areas of Canada; things to attract people not only to come for three days, but for the two weeks holiday. Did I answer your question?

Mr. ANDRAS: Yes, very well. Believe me, gentlemen, this was not pre-planned.

Now, just rising out of your answer, there is one interesting aspect that I cannot avoid referring to. You said that you had made arrangements and had co-operation with Air Canada, of course, and the Canadian Pacific Air lines, and you mentioned Canadian National Railways. Again, having recently toured Western Canada on the Canadian Pacific Railway's passenger question, may I ask you if you have had co-operation with Canadian Pacific Railway?

Mr. BEAUBIEN: We have excellent co-operation from all carriers and transportation companies. They realize we are here only for a year and a half and we are gone. They stand to gain a great deal in '68 and '69; yes, excellent co-operation.

Mr. ANDRAS: Fine, thanks very much. Now, I am going to Quebec and, in terms of Expo, I reverse roles with Mr. Prosper Boulanger, and ask you that in this program, can you—I think it is reasonably appropriate, since I probably am the member closest physically located to Winnipeg, to remember that in 1967 there is another large centennial project, the Pan-American games. I understand that there are some 35 countries registered, there, too. It seems to me that it would be a logical way to generate the traffic beyond Expo. So, any special effort or special co-operation between the Manitoba authorities and Expo, I think, would probably pay dividends. I hope that if you do not have specific plans for that, that you would generate them and may I say for my own riding, that if they will stop off in Port Arthur and Fort William, we will be very happy.

Now, just one or two more questions. I think there was specific reference this morning in one of the comments about attracting famous ships. I gather that this was in the area of destroyers and ships that would provide visiting interest. Has there been any deliberate plan approach to attracting cruise ships, such as the Queen Elizabeth and Queen Mary?

As one travels through the West Indies and so forth, these cruise ships disgorge passengers by the hundreds to Nassau, to Bermuda, to St. Thomas and so on, and it appears to me that if the facilities are available, this would not only bring in lots more visitors for a period of one day, two days or whatever you might be able to arrange, but it would also bring their revenue. In addition to that, to many Canadians particularly who might be visiting Expo, it would add a great degree of glamour to see those cruise ships draw up here and discharge passengers. Specific reference was not made to that. I am sure, with the degree of effort that is going in it, you probably have done something about this. Have there been any specific plans for cruise ships?

Mr. KNEWASSER: Mr. Chairman, the first part of the question in respect to the Pan-American games in Winnipeg, the day we heard that the games were going to be held there, I phoned Mr. Culver Riley and offered to do anything we could to help him. He has taken us up on that offer and we are indeed being helpful and will indeed advertise the Pan-American games in Winnipeg as well as other things happening in our Centennial year.

Mr. ANDRAS: May I just say that probably we should mention the Calgary Stampede as well, as another attraction in the West.

Mr. MONTEITH: Do you mind if I bring in the Stratford Shakespearian Festival?

Mr. ANDRAS: But in all seriousness, I think that we should promote all of Canada. With this tremendous opportunity and with the number of people you are talking about attracting, it would be a shame to let them go by.

Mr. BEAUBIEN: Mr. Chairman, on the question of ships, we have investigated very seriously the possibility of having some ships moor in the harbour during the whole duration of the exhibition and provide supplementary accommodation. This, unfortunately, is not economically feasible. However, we have been very fortunate in that many transportation companies and carriers have agreed to extend their schedule of trips coming to Canada that one year. You may have read that the *France* is coming to Quebec city and extending its trip

in that area, the *Flandres* is coming to Montreal from France, the *Alexander Pushkin* has recently started regular schedules between the Soviet Union and Canada, and the same applies to Italy, England and, of course, the Canadian ships. So, we will have a great many of these ships coming to Montreal and to Quebec during that one year.

There are also other American ships travelling from Boston and New York and other parts of the United States, mooring in the harbour for two or three days, making sure that their passengers can then see the exhibition and live on board and then go back to their port of entry.

Mr. ANDRAS: Just in the same manner as cruise ships sail generally?

Mr. BEAUBIEN: Right.

Mr. ANDRAS: It is going to be extended. I congratulate you on that. I may have missed this point when it was discussed earlier about the worry, about exhibitors undertaking to build exhibits, to participate in the exhibits and, not yet showing up. Is it practical or is there any deposit arrangement in these things? Is that a practical situation. Somebody made reference this morning to the rather different type of legal involvement that is associated with an exhibition as compared to a regular commercial contract. Are there any deposits required? Is there any penalty for failing to show, in other words?

Mr. DELORME: As far as foreign governments are concerned, Mr. Chairman, there are no such provisions in our standard participants' contract. To elaborate further on what I was saying this morning, our standard contract is rather a document where broad principles are found and basically it is an undertaking that a government will build a pavilion on a certain lot and be ready on a certain date, but this is essentially based on good faith, as a matter of fact, because they should not live up to their commitments, I do not see what recourses we would have against those foreign governments.

Mr. ANDRAS: It is not the practice in international exhibitions of the first category to insist on deposits in advance for such exhibitions?

Mr. DELORME: Not at all. They are completely responsible for their own participation and this is not a practice—

Mr. ANDRAS: This is a matter of good faith.

Mr. DELORME: That is right.

Mr. ANDRAS: Then, one more final question, I think, Mr. Delorme, in your area. Can you give us an indication of how many people are employed in the pre-exhibition stage of this, the preparatory stage of this and then, finally at peak the number that you may have while the exhibition is officially opened?

Mr. DELORME: I think that this question should be best answered by Mr. Rediker.

Mr. KNEWASSER: Well, Mr. Chairman, this Corporation presently employs about 900 people on the administrative establishment and 100 on the operating establishment. On site, at the present time, there are over 5,000 people building pavilions, but all around the world in design offices, architects' offices, exhibit offices, there are many, many thousands of people all over the world working on Expo 67.

This will peak to a maximum establishment on the administrative side of 991, and on the operating side, a thousand, and I think the peak on site work force of people building pavilions, not us, but countries or companies, would be 10,000 people.

Mr. ANDRAS: Thank you, Mr. Chairman.

The CHAIRMAN: Now, the next name on my list is Mr. Lambert and I might say to be followed by Mr. Chrétien and Mr. Monteith.

Mr. LAMBERT: Mr. Chairman, I was interested in some of the remarks made by Mr. Beaubien in so far as the general division of the potential of visitors to Expo '67, is concerned. Briefly to recapitulate, it seems that the figure was 21 per cent within a 50 mile radius, 20 odd per cent from the rest of the country and 55 per cent or so from the United States. This means that well over 70 per cent of the patronage for Expo is based on the local region and on the United States. This, then, comes to the 20 per cent for the rest of Canada.

It is my view, of course, that it would be a shame if the rest of Canada left the rest of the world or shall we say, outside of Canada or the United States as the chief supporter of Expo '67. True enough, there are difficulties with population densities and distances.

Arising out of Mr. Jasmin's commentaries or remarks about the English network on CBC—I am not going to make them the only ones, but CTV and the others are included—perhaps they could, in the spirit of the success of Expo '67 concentrate a great deal more attention on the rest of Canada to develop the idea that people should come through to the Montreal area in '67.

Did you consider following the plan which was applied to the Paris exhibition of 1937, which is the first one I attended, under which if visitors from beyond a certain area spent a minimum of five days in the Montreal area, there would be a form of discount on their travel costs or on the cost of staying in Montreal? This is what the French government did in 1937, and it certainly attracted a great number of people. Was this considered? Obviously it has not been incorporated in the operations of Expo '67 what would be the reasons for rejecting such a plan? What are the present day difficulties, taking into account the fact that we are dealing with thirty years later.

Mr. KNEWASSER: Mr. Chairman, I would start up by saying that all of us quite agree with this viewpoint and what you are getting at. The figures that have been given to you represent the situation as it appears to be now, with given transportation rates and given economic factors around the country, and I suppose these figures will change. I quite agree that we should work industriously, us and other people, to try and change the figures and have more people come from all across Canada to see their exhibition in 1967. We, however, do not control air rates or train rates or even hotel rates; we work hard at making representations to people who do to make sure that the exhibition's point of view is made known. There is a committee which brings together all the transportation people in Canada, on which we sit and make a lot of noise regularly. We propose to keep that up and we would appreciate any help we can get from you or from other people, sir, in making more progress in this respect.

● (3.47 p.m.)

Mr. LAMBERT: The reason I ask this is that, during this last weekend, in my own city of Edmonton, I imagine that at least a dozen, either husbands or wives, indicated their great desire to go to Expo; but they said: "We want to make it a family project." Now we are dealing with eighteen hundred miles when we are talking about Edmonton; twenty-three hundred miles or twenty-five hundred miles, as a matter of fact, by road. This represents quite an expenditure. It is even more expensive to come from western Canada than it is from the United States. Take a plan on the basis of using a certain point so many miles from Montreal or a radius from Montreal. Then give some form of discount on travelling expenses say on the national railroads, on CPR or on the air lines, from the point of origin to that basic point, so as to sort of shall we say, equalize in some way the cost of coming to Expo. It will be quite an undertaking, I can assure you, for those people from the west or the head of the lakes, to come to Expo, and they are the people, I think, that frankly we want to see down here. They are a very important segment for many reasons. I discussed this with Mr. Beaubien privately, even as early as two years ago. But there may be some difficulties that just make this idea thoroughly impractical.

The CHAIRMAN: Do you wish to reply further to Mr. Lambert's point?

Mr. KNEWASSER: If you will permit me, Mr. Chairman, I think both Philippe and I agree, and as I tried to explain, we are working at it, and we would like your help in achieving it. I think it would be a magnificent project for us to consider in the context of our Centennial. It should not work just in the direction of Expo. It should work for the whole country because I think it is just as important that we get people from the province of Quebec to go to the province of Alberta, perhaps, as it is to bring them here. We have made good arrangements to make sure that when they get on the site, they are well looked after and that there is no highway robbery taking place once they get here.

Our surveys have shown that the first reason Canadians give for saying they are going to come to the exhibition is that it is good for the children. We are sure this is right. So on the site, the prices are controlled; there will be no exploitation in restaurants. The ticket of admission, the passport, includes free transportation through the whole site, for the first time in an exhibition. All of the pavilions are free. Philippe has made wonderful arrangements for boutiques and places where, if you cannot go into a restaurant, if that is too much, to buy lunch for your wife and your ten kids, you can go and buy food and go into Ste-Hélène's park and have a picnic lunch. We intend to keep up this sort of thinking, and these sorts of arrangements, and I repeat, we would welcome any help we can get in increasing that percentage of people from outside of the Montreal and Ontario area, who can come to the exhibition.

The CHAIRMAN: But you are in contact with the transportation companies to deal with the point raised by Mr. Lambert.

Mr. LAMBERT: Well, I am not suggesting that the railroad companies, the transportation agencies should, themselves, foot this bill; but that it be, shall we say, a part of an Expo expense. Some money has got to come from somewhere if you are going to offer a discount. This may be one of the reasons why the plan would be impractical, as being too expensive. I do not know. A very careful

study would have to be made of this. It could be incorporated, as Mr. Andras suggested, with the Pan-American games, a joint venture in this regard. Some special consideration could be given to travel costs because as far as Canada is concerned, the same thing applies to people from Nova Scotia who want to go out to the Pan-American games. A very big item is the cost of covering these huge distances that we have here in Canada. I would like to see as many people as possible helped in this regard; not only the people from outside of the country.

The CHAIRMAN: Thank you, Mr. Lambert. I believe that the staff of Expo here has taken note of your very constructive point. May I suggest to the Committee that this might be an appropriate time to have our coffee break.

(Translation)

The Committee stands adjourned for fifteen minutes.

(English)

The Committee took recess.

AFTER RECESS.

● (4.12 p.m.)

The CHAIRMAN: And now we will resume our session, and I would like to call upon Mr. Jean Chrétien.

(Translation)

Mr. CHRÉTIEN: Mr. Chairman, most of the questions I intended to ask have already been asked. First of all, I would like to say that I am particularly impressed by the quality of the World Exhibition Corporation's staff and especially by the number and quality of French-speaking representatives on the Board of Directors and appointed as directors of the various departments. I am happy to see that they are doing an excellent job.

With regard to the Exhibition itself, there have been complaints that it is rather expensive and that the \$82,000,000 to be provided by the different levels of the State is too much. From what we have seen this morning, I think that it is an excellent investment because of the economic activity that the Exhibition has stimulated here in Montreal and throughout Canada. We can only congratulate ourselves on this investment by various sectors of the government.

I would like to ask some particular questions and ask Mr. Delorme what would be the effect on the Exhibition of a prolonged longshoremen's strike in Montreal?

Mr. DELORME: Mr. Chairman, a prolonged strike of longshoremen at the three ports already affected by the strike could have a disastrous effect on the Exhibition, from two angles. Firstly, as the Exhibition is a World Exhibition, it goes without saying that each country tries as far as possible to make most of its pavilion in its own country, with the result that many pavilions are at the stage where the erection is taking place of structures prefabricated in their country of origin. Most of these materials have already been dispatched from various European ports and many have already arrived at Montreal or Quebec—most of them at Montreal. Obviously the construction of the pavilions is being held up by the fact that boats cannot be unloaded. There is, however, another aspect to consider; the delay in building a pavilion may cause a chain

reaction which will delay the whole of the Exhibition if the strike lasts. A fairly concrete example is the case of the German pavilion. Certain materials needed for the German pavilion are, unfortunately, on a boat affected by the strike. The fact that the foundations of the pavilion are delayed is delaying another operation which, in this case, comes under the province of the Exhibition. This operation is—I am trying to think of the French word—the flooding of the canals on the Ile Notre-Dame. Until the foundations are finished the canals cannot be flooded and until the canals are flooded the landscaping of the ground cannot be carried out; I believe, also, that these delays may have an effect on the construction of some roads nearby. This is an example of the chain reactions that may be produced by a delay in the building of one single pavilion. So, to reply specifically to your question, there is no doubt that the longshoremen's strike has already delayed several pavilions and, if continued, may cause considerable delay to the Exhibition itself.

The CHAIRMAN: I think the word filling might be more exact than flooding.

Mr. DELORME: Yes, it is done with water and, so, filling with water is, without doubt, immersion.

The CHAIRMAN: You will realize, Mr. Chrétien, that this is not a Commission on Bilingualism.

Mr. CHRÉTIEN: There is another question which interests me, Mr. Delorme. Obviously you signed an agreement with the unions that there would be no strikes but, as a compensatory measure, you established what is called compulsory arbitration. I should be interested to know how many grievances and difficulties have been submitted to compulsory arbitration since this agreement was signed?

Mr. DELORME: Up to now I think we have referred three grievances to arbitration: one, a special case affecting one employee in particular, has now been settled; another, which was much more important and affected the classification of our staff, was decided by the arbitrator some time ago and his decision was conveyed to us; we have not yet received the result of a third.

Mr. CHRÉTIEN: Are relations between the Exhibition Corporation and labour in Montreal good at present?

Mr. DELORME: As I was saying this morning, relations between labour and the exhibition are excellent for many reasons. From the start, we took care to establish an agreement which allowed us to lay down how our relations with the unions should be conducted. On the other hand, it must not be forgotten that for almost a year we have been in weekly, if not daily contact with union representatives. So, like you, they have seen what Expo is, they have learnt about the various projects and they have realized its scope and its importance so that they are now part of Expo's family. Now that the collective labour agreement is signed, we are in contact less often but still often enough for us to let these people know exactly what is going on. We are planning to repeat in the near future the initiative of a few months ago, when we held a meeting for not only the representatives of the congresses but also for the presidents of locals affiliated to these congresses since, in fact, these are the people who must

explain to their members what Expo is all about. This meeting, which was attended by about a hundred union leaders, was a very great success. It was very similar to this meeting if you exclude the question period.

Mr. CHRÉTIEN: I would like to hear from another representative of the Corporation what is the estimated total of American dollars which will be brought into Canada in 1967 as a result of Expo and how will this affect, for example, our balance of payments with the Americans?

(English)

The CHAIRMAN: On the average number of visitors from the United States and the average expenditure for each, you might come up with a figure. I see Mr. De Gaspé Beaubien has his pencil out; perhaps we should give him a moment.

(Translation)

Mr. CHRÉTIEN: While an answer is being found to that question, perhaps I could ask another question about "Habitat 67". Personally, I think that it is an excellent idea and that the architecture is utterly superb. The only thing I deplore is that the Exhibition Corporation has been forced to reduce the size of this construction because the original plan was quite simply superb. Now, I would like to know what from a technical point of view is the cost of "Habitat 67" and what are the plans for it when Expo is over?

(English)

The CHAIRMAN: Mr. Kniewasser or Mr. Rediker, would you like to reply?

Mr. REDIKER: Regarding first the cost, the estimated capital cost is \$15,700,000, with operating costs of \$475,000 or a total expenditure of \$16 million. We have an estimated asset value of \$8 million. We are receiving from the National Research Council \$250,000, as an experimental type project. We will receive revenue from renting 121 suites out of a total of 158, of \$387,000, so that is the cost of this exhibit. Regarding the disposal, we think that with this building here and with a highway running down MacKay pier, with the theatre possibly being permanent, that there will be a very good market to dispose of it, such that it can be expanded to include schools, a shopping centre, and so forth, and I think there will be a ready market to dispose of it when the exhibition is over.

(Translation)

The CHAIRMAN: Have you an answer to Mr. Chrétien's first question?

Mr. KNI EWASSER: Mr. Beaubien will answer it.

Mr. BEAUBIEN: Mr. Chairman, this is an estimate and these figures should not be taken as exact. I estimate that, of the total number of dollars that will be spent at Expo itself, \$115,000,000 will be spent by Americans. In addition to this, my forecast is that three-quarters of the dollars spent in Canada by non-residents will be spent by Americans. You must accept or reject the basis of my calculations which would mean an additional total of \$750,000,000 spent by Americans, so the total spent by Americans in 1967 in Canada could well be \$865,000,000.

Mr. CHRÉTIEN: Very well, I have no other questions. Thank you.

(English)

The CHAIRMAN: And now I would like to recognize Mr. Monteith, followed by Mr. Comtois.

Mr. MONTEITH: Mr. Chairman, could I ask Mr. Kniewasser a question. Schedule F is entitled "Sponsored Projects Assumed". Were these originally sponsored by somebody or other and then if they were going to be continued with they had to be taken over by Expo?

Mr. KNIEWASSER: Mr. Chairman, the answer to the question is that in successive master plans, as Mr. Shaw explained very briefly this morning, because of the time limit, the governments have incorporated into the master plan things that are essential for the exhibition that have to be started according to schedule for which private financing had not yet been found. So you find in the sponsorship things like the stadium, the theatre, and art galleries, bandshells, and agricultural pavilions.

Mr. MONTEITH: You felt that these should be in the master plan, but no sponsor has actually come forth?

Mr. KNIEWASSER: That is right.

Mr. MONTEITH: Schedule G, "Commercial Concession Projects Assumed", the "Habitat '67, Activity Areas", and "Secondary Transit Systems". Are these more or less in the same class?

Mr. KNIEWASSER: Yes, these are the parts of habitat and the secondary transit systems which we are building, for which we have very good hopes of getting a company to participate to that extent. I would point out that we have already secured \$18 million worth of sponsorship in the exhibition. A good example was the stadium you saw this morning, sir, which is in our master plan but which is fully paid for by the Automotive Association of Canada.

Mr. MONTEITH: One other thing, in Schedule K, "Landscape Development". Do I understand that the amount of \$2,345,000 is an underestimate, according to your first figure. In other words, what was your first figure and what is your present figure?

Mr. KNIEWASSER: I will rely on Mr. Bowen, if you please. Can you answer that one?

The CHAIRMAN: Have you a title, Mr. Bowen?

Mr. BOWEN: Chief Estimator.

The CHAIRMAN: Would you like to advance so that the microphone can pick up your answer?

Mr. BOWEN: Yes. We found that in our original estimates we under provided funds for the landscape development, which includes the provision of trees and shrubs, landscape, paving, walks, landscape features such as steps, and walls. Other ornamental features of this kind, had been under provided for in our master plan. This was partially because the areas which were required to be landscaped were extended due to increased participation: the other thing was, we must admit, just a plain underestimate because we had little experience with the landscape requirements for an exhibition. We based our original

estimates on park developments; whereas for an exhibition, of course, as we found out to our cost, the requirements for landscaping are a great deal fiercer than they would be for an ordinary park, and also remember we took over the site with hardly one single tree on it, so that we have invested fairly heavily in trees.

Mr. MONTEITH: I am not complaining about the cost; I can see the development of the landscaping. What was your original estimate?

Mr. BOWEN: The original estimate—I would have to look it up—but as I recollect it, it was around \$4 million, whereas we are now proposing to spend something like \$6,500,000.

Mr. MONTEITH: In the report signed by the Auditor General of Canada, and the Quebec provincial auditor, in the second paragraph, it says "In our opinion, certain aspects of the Corporation's financial control require improvement. We have discussed the matter with management and have been assured that appropriate action will be taken". This was dated March 31, 1966. I am assuming the discussions took place sometime prior to that. Has the appropriate action now been taken?

Mr. KNEWASSER: Yes, I think it has. You will understand, as a man with experience in accounting, I am sure, that we have to set up a tremendous amount of control procedures very quickly. Right now we are seriously and heavily in the business of controlling capital expenditures and operating administrative expenditures and public relations promotional expenditures. But we are trying to get in a position to get the procedures down in black and white, and to get set up to start controlling revenues, because revenues from sponsorship are starting to come in, and revenues from ticket sales are coming in. Therefore, there are a whole series of detailed procedural arrangements that would have to be set up now for during the exhibition. The auditors pressed us to get on with this work and we are getting on with it, and I must say that we are most grateful to them. We now have a system whereby instead of hearing from Mr. Tremblay and Mr. Henderson once a year, we hear from them once a month, and we are most grateful to them because this way they can give us the benefit of their vast experience to try and handle this thing the right way.

Mr. MONTEITH: They are doing a little advising as well as auditing.

Mr. KNEWASSER: Indeed, Sir, and we are most grateful.

Mr. MONTEITH: Thank you, Mr. Chairman, that is all at the moment.

(Translation)

The CHAIRMAN: Mr. Comtois.

Mr. COMTOIS: Mr. Chairman, in common with all my colleagues, I wish to congratulate the administration of Expo 67 on the fantastic amount of work that has been done since construction started; I encourage them to continue in the same way so as to make Expo 67 a really outstanding success.

Now I would like to ask some questions about the hours that Expo will be open to the public and the times that will be reserved for upkeep, cleaning, and

the restocking of restaurants, shops and any other places where this is necessary. I do not know to whom this question should be addressed but I should like some information on these subjects.

(English)

The CHAIRMAN: Mr. Beaubien, would you care to reply to that question, please?

(Translation)

Mr. BEAUBIEN: Mr. Chairman, the grounds of Expo will be open at 9.30 a.m. and pavilions of the different countries will open at 10.00 a.m. This half hour's delay is to allow the public to make their way well onto the grounds of Expo which are three and a half miles long. The national pavilions will close at 9.30 p.m.; the restaurants inside the national pavilions will close at 1.00 a.m. but will not accept new customers after 11.30 p.m. This does not mean the site of Expo will be closed after 9.30 p.m. The site will be open until 2.30 a.m. because the amusement park "La Ronde"—which is a permanent park—will be open until 2.30 a.m. and much later if the number of visitors warrants this. Does that answer your question?

The site will receive supplies at night since no vehicle, except some ambulances and patrol cars, will have access to the grounds of Expo. There will be miniature vehicles which will take supplies to certain pavilions and concessions and these vehicles will run on set routes and at set times; they will be hired from a concessionaire who will operate them in the Expo grounds according to precise instructions. Almost all the supplies will be brought in between midnight and 8.00 a.m.; the upkeep of the pavilions, gardening and minor and major repairs will be done overnight as will the supplying of all the restaurants and shops.

Mr. COMTOIS: Will the public have to leave the Expo grounds at night?

Mr. BEAUBIEN: After 2.30 a.m. the public must leave the grounds of Expo to allow us to clean up, wash the streets, replant, paint, and do the customary repairs. I hope that, after 3.00 a.m. at normal times—it may well be that "La Ronde" will stay open until 3.00 or 4.00 a.m. on some weekends if the number of visitors warrants it—there will, generally, be no visitors on the Expo site.

Mr. COMTOIS: I have another question to ask you, Mr. Beaubien. How many parking places will there be near Expo?

Mr. BEAUBIEN: Mr. Chairman, there will be two main parking areas with room for 10,000 cars in each at the extreme ends of the site on the north bank. Right in the heart of Expo, on the Île Sainte-Hélène, there will be some parking areas which will be reserved for the general directors of the sections; unfortunately, this ground is limited and we do not have many free spaces in the centre. The main parking areas at the gates of Expo have room for 10,000 cars. I would like you to remember also that the Metro will go right into the middle of Expo and it is only a few minutes from the centre and heart of the city. I believe that many of the local people will come to Expo by this means of transport which is very easy and doesn't cause a parking problem.

Mr. COMTOIS: Is there a possible restriction of traffic on the bridges and in the areas around Expo; for example, on the south or north bank, will traffic be stopped a certain distance away or will all cars be allowed to move freely?

Mr. BEAUBIEN: Tomorrow we are meeting representatives from the provincial and municipal governments to discuss co-ordination of traffic in the 23 municipalities that one must pass through to reach the Expo site. When we visited the Hanover fair we were greatly impressed by the excellent traffic co-ordination which was managed by means of helicopters. We would like to tell the municipal and provincial authorities who will co-ordinate the traffic in the metropolitan Montreal region about some conclusions and problems that we observed there. I would remind you that the Jacques Cartier bridge is only a secondary access route to the Expo site, the main means of access being "rendez-vous 67" and the subway entrance. Only buses will have access to the gate of "la Ronde" which is right at the downstream end of the Île Sainte-Hélène.

Mr. COMTOIS: How will you receive visitors coming by boat or subway?

Mr. BEAUBIEN: There will be turnstiles at the subway exit at the Expo grounds and similar entrances at the main gates of "rendez-vous 67". Season passport holders will go to certain entrances and people with a 7 day passport—which gives them the right to make seven consecutive visits to Expo at a cost of 92c a visit if the passport is bought now—will exchange a ticket from the passport for a token. They will have easy access to the grounds. The marina will also have a turnstile at the entrance and people will pass through in the same way as above. I think that you also asked—

Mr. GRÉGOIRE: I should like to ask another question, Mr. Chairman. If people come via the marina and that same day go to the restaurant for something, do they have to pay each time they leave their boat to enter the grounds or do they have free access all day once they have entered by the marina entrance?

Mr. BEAUBIEN: Once you have entered the grounds you have free access to it from morning to evening; there is no problem. If you wish to leave the grounds, you have the back of your hand stamped with a sort of code which shows up under a special light and this gives you the right to return to the grounds that day.

The CHAIRMAN: Mr. Comtois, have you any more questions you wish to ask?

Mr. COMTOIS: Mr. Chairman, I have just one last final remark to make. I would like to know if there is any subject for which the management of Expo has no answers. This could help us ask you questions. There is another point of view: perhaps it would be easier for you gentlemen from Expo to question us. We will be happy to help you all we can.

The CHAIRMAN: Thank you very much, Mr. Comtois.

(English)

Now we seem to have completed the names I have for the first round of questioning, I am prepared to begin the second round unless there are some

people who have not had an opportunity as yet, who would like to ask questions. Have we had everyone who wants to ask questions?

Mr. McLEAN (*Charlotte*): There is just one thing I would like to say that has not been mentioned. I have been to several world's fairs, and I was to the world's fair in Brussels and we spent, I would say, most of the afternoon looking for restrooms. When we got there there was a big sign up "Out of Order", and my brother said to me after we got through, "One thing I have learned to read in many languages is "Out of Order" and "Coca-Cola". I think it is very important that you have plenty of restrooms, and you see that they are looked after, because this lack was very obvious at the Brussels fair. The restrooms they did have, were practically all out of order all the time.

The CHAIRMAN: Perhaps some senior official of Expo would like to reassure the Canadian public in general through the medium of the platform of this Committee on this very important point.

Mr. KNI EWASSER: I think we should ask Professor Dozois who is in charge of our theme, our theme is "Man and his world".

Mr. BEAUBIEN: Mr. Chairman, knowing Canadians and the high consumption of liquor per capita in this province, we have made provisions, and adequate provisions for all services, to be provided in activity areas, located at cross roads of traffic, and I can assure you that there will be plenty of these facilities, ample facilities, throughout the site. They will be easily identifiable; they will be free of access, for the major part, and they will be identified by symbol and not by name as such throughout the site.

The CHAIRMAN: Can you give us any assurance now on the lack of "Out of Order" signs?

Mr. BEAUBIEN: With the planning that has gone into these elements I feel that we can mention that we will make adequate provision. If not, we will transport some portable elements in the area.

The CHAIRMAN: We are now ready to begin our second round of questioning. I have so far on my list, Mr. Andras, Mr. Grégoire and Mr. Coates, in that order.

Mr. ANDRAS: Mr. Chairman, there is one aspect of this matter that, as Mr. Comtois has said, I am sure you probably have answers for but I would be much reassured by getting the information.

As I remember the figures that were developed in presentations to us today, there are some five million American visitors anticipated, and some 300,000 visitors from Europe. What additional travel facilities in the way of air, and so forth, do you envisage? I do not know how many visitors come to Canada in the course of a normal year, but this is centennial year and this is Expo year, and I suggest this is a fantastic increase over the normal traffic flow. What particular plans are developed to have extra travel facilities for that purpose, some outside the country?

Mr. BEAUBIEN: We must make a distinction between people and visits. The vocabulary of people in fairs and exhibitions is visits, and they mean by visits,

turnstile counts, because this is the only statistical count that we can keep. We do not know how many individual people will come to visit the exhibition. We have estimated that 30 million visits will be made by approximately 10 million different kind of people, and in that 30 million visits, some 55 per cent of those visits will be made by people coming from the United States of America.

We estimate from our studies that over 80 per cent of the people coming to our exhibition will be coming by automobile. Therefore, we should take into consideration that supplementary forms such as bus transportation, train transportation, plane transportation will be sufficient to cover the remainder of the visits. Now, what have we done about it? We have talked to the major air lines and rather than retire some aircraft, they are maintaining aircraft during the year of the exhibition. For instance, Air Canada is maintaining its Viscount fleet for the whole duration of the exhibition, and we feel, after talking to them, that they will have sufficient accommodation in the way of travel facilities to provide for that remainder of 20 per cent that will require this kind of transportation.

The CHAIRMAN: Mr. Andras, before you begin your next question, the suggestion has just been made to me that we might permit T.V. cameramen to take some silent films for the purpose of showing the public just how one of our Committees meets. Since we are breaking a lot of new ground with our Committee system, I am wondering if you might find this satisfactory. I had in mind the possibility that if people from that segment of the information medium were available just before we began our formal session, we might permit them to do some filming before we actually begin our meeting. I just had the request made to me now, and my own suggestion, and I am in the hands of the Committee, if it is not extended, and if it is not the recording of the actual words, then we might give it some consideration.

Mr. GRÉGOIRE: Is it for the English or for the French Network?

The CHAIRMAN: I do not think we should get off the track in a discussion of something which is a very interesting subject in itself but any film taken would be available to networks in both of our official languages.

Mr. ANDRAS: I think if we do so it should be recognized as not establishing a precedent; that it is in this particular instance a result of the fact that time was not available to take these television films prior to the beginning of the formal session, because we are in an area of very serious precedents here.

The CHAIRMAN: That is right. I have two alternate suggestions. One would be that in effect, we adjourn but remain in our places for a few minutes while the film is taken. We can appear to be chatting informally. The other is that just after we complete our session for today, we remain in our places and they can again film us in a way that would show the public generally how our committees meet. You might find that preferable, from the point of view of the issue you just raised.

Mr. ANDRAS: Simply so long as it is recognized as not establishing a precedent for committee work or parliamentary work, which I think should be much more thoroughly gone into.

The CHAIRMAN: I do not know if we are in a position to create a precedent if we wanted to, although we have been perhaps breaking some new ground from time to time anyway. Perhaps we might do it this way. When the people are ready who wish to do this, we might in effect adjourn for a couple of minutes and remain in our places, and permit them to do something which will give the viewing public the idea of how our committees meet, particularly under our new system of rules. Would that meet with the wish of the Committee?

Agreed.

Mr. Andras do continue, and I apologize for the interruption.

Mr. ANDRAS: Not at all. I think much of what you said relates to the other questions I am going to ask; but I do notice here the key thing you said was that the estimates you have made of visitors does not necessarily mean changing people. A turnover is what you were talking about and that 30 million visits could be made by 10 million people. This is the premise on which you are working. I do know this, and I cannot help being a bit obsessed by this because, as I say, of my involvement in transport. You have, by your surveys, some 4,651,000 Canadians definitely indicating that they are coming; some 3,180,000 probables, and an additional 5,920,000 possibles. I presume these are separate visitors because your survey would have to indicate that. It does not way that they are going to come once, two or three times. This arrives at the colossal total of 13,610,000 potential, which is between 65 and 70 per cent of the population of Canada. With the increase in automobiles on the road, in which I have some interest, I just think it is going to be a colossal burden on the present transportation system of this country, and perhaps maybe some very special study should be made of this or you are going to run into a bottleneck. For instance, the Canadian Pacific Railway has cancelled the "Dominion" passenger train, and while we have not heard a great deal of complaint about this throughout eastern Canada, it is a matter of major contention in western Canada, and again I refer to these hearings we have held across Canada at which your Quebec members brought up the point of the effect of this on Expo. Another member, I believe, Mr. Lambert, pointed out the vast distances by car, from say, Edmonton some 2500 miles from eastern Canada. I am trying to establish a point here, as I see this now I am more than ever convinced that the Canadian Pacific Railway simply absolutely must, if they do nothing else, retain the "Dominion" consist, and put it back on at least through Expo '67, or mark my words you are going to suffer here. I do not see how you are going to move these people throughout Canada with the passenger system that exists at the present time.

Mr. KNEWASSER: Mr. Chairman, I think you appreciate the delicacy of this subject for people like myself who are trying to get on with the job instead of troubles. I would quite agree, that as more and more information becomes available, as we get more surveys, and particularly as we had a recent survey in respect to attendance from Canada, that anything that will facilitate visit of Caandians to the exhibition is desirable.

Mr. ANDRAS: It is desirable from more than an economic aspect, it is desirable from a cultural, and national unity point of view and many other things. I think I have done as much damage as I can, Mr. Chairman, to the CPR.

● (4.50 p.m.)

The CHAIRMAN: I think your contributions have been useful, and as a member of the transportation committee when you resume your hearings on this aspect of the CPR passenger question you may want to pursue this further at that time.

Mr. ANDRAS: I am not being facetious about it, but I am seriously concerned about that aspect of it.

The CHAIRMAN: At the same time, I presume, Mr. Kniewasser, that you and your colleagues are making every effort to mobilize existing and pending transportation facilities for Expo.

Mr. KNI EWASSER: Indeed, sir, and we are listening today as well as talking.
(Translation)

The CHAIRMAN: Mr. Grégoire, if you please.

Mr. GRÉGOIRE: Mr. Kniewasser, I believe that there is to be an amusement park on the Ronde, at the tip of St-Hélène's Island, towards the east. Will there be any games of chance there?—for instance, roulette, and money games such as those seen in the Provincial Exhibition in Quebec City and the National Exhibition in Toronto?

Mr. DELORME: Certain enterprises have approached us with a view to obtaining permission for games of chance in that location. In concert with my department I have personally subjected the question to a very close study and verified all the Criminal Code sections on this subject and I can assure you that the games which will be permitted on "La Ronde" will not contravene the provisions of the Criminal Code; in other words, there will not be any games of chance.

Mr. GRÉGOIRE: Neither money games nor roulette games which are permitted at exhibitions or which are seen exhibitions. Will this be accepted?

Mr. DELORME: I know that our development department has, if I am not wrong, asked for tenders for certain games and I should like to ask Mr. Beaubien, with the permission of the Chairman, to provide further details—

Mr. BEAUBIEN: The games, Mr. Chairman, will in as far as the law is concerned not be games of chance, but rather games of skill, like those found in amusement parks, such as the Tivoli, which give as prizes currency which can only be used on the site of the Exhibition, and not outside the Exhibition's site. We were told that this regulation might be difficult to amend in Canada and it would be difficult to have this permission. So we gave it up.

Mr. GRÉGOIRE: Now, Mr. Beaubien, to be more specific, you mention games of skill. For instance, at certain exhibitions one has to throw a ring around a box which has one or two dollars on it—will this be accepted?

Mr. BEAUBIEN: In the case of a ring it is a game of skill and not a game of chance. Roulette tables where one can win depending upon a particular number, will not be permitted—

Mr. GRÉGOIRE: Will there be special precautions to see to it that the people running those stands will not draw people by calling out: "You there! three free rings, three free balls," and turn it into a fair.

Mr. BEAUBIEN: Mr. Chairman, we have several people in our department whose duty it is to ensure the quality of this amusement park. We have had to create an amusement park which is different, a family park, a park with flowers, a park where there is music, a park where there is fun, where there are merry-go-rounds and an aquatic spectacle and we shall control everything on the Exhibition site.

Mr. GRÉGOIRE: Are you not afraid of losing sight of this idea of a family amusement park by accepting those games, which are after all games of chance—

Mr. BEAUBIEN: Most of the elements, Mr. Chairman, on the "Ronde" will be merry-go-rounds. There will be games of skill; these will be very closely controlled by the inspectors of the department of "La Ronde" and I believe that we shall be successful in maintaining the high standard of a family amusement park such, as, for instance, the Tivoli, the amusement park in Copenhagen.

Mr. GRÉGOIRE: Permit me to differ with you on that. Will the profits which you will make out of it really be worth while when considered against the discontent which you risk causing in those persons who will go there and will end up by losing their money rather than visiting?

Mr. BEAUBIEN: Mr. Chairman, it is possible to have prizes which are of value. We shall control the value of the prizes, we shall control the prices of tickets, we shall control the stands and we shall have our representative at the cash registers. We shall have the necessary controls for this small part of the site but we find it difficult to conceive of an amusement park without having that particular element which is so greatly enjoyed by young people and which is accepted on our continent. These are not games of chance, but games of skill.

Mr. GRÉGOIRE: I hope that you understand the type of game I am referring to as, for instance, shooting with a rifle whereby you win a prize if you can hit the bull's eye three times in a row; this is the type of game I am talking about.

Mr. BEAUBIEN: Let me repeat that we want to maintain the high standard of an amusement park and I assure you that the inspectors which we have hired to supervise these amusement parks are experienced people who will ensure, in so far as we can say at the present time, the best standards of morality in those stands.

Mr. GRÉGOIRE: Are the profits resulting from this really worth while?

Mr. BEAUBIEN: Yes, they are really worth while in terms of the Exhibition site.

The CHAIRMAN: I think that the television is ready now. This might be a good time to adjourn and remain in our places.

(The Committee took recess).

AFTER THE RECESS

(Translation)

Mr. GRÉGOIRE: Mr. Kniewasser, does the fact of having to deal with several governments, federal, provincial, municipal, with the Treasury Department of each of these governments, with the auditors employed by these governments,

in short, does the fact of having to deal with several authorities hamper the progress of your work, slow it down, or does it give you a different orientation than you would have had if you been given a free hand or if Expo had been set up as an entirely autonomous Crown Corporation?

Mr. KNEWASSER: Mr. Chairman, to answer this question, I must admit that all this does take a lot of time. But the law is like this and so are the conversations, the negotiations which we carry on each day with every level of the Government and with the Board of Directors. I think that this is of a great help to the Exhibition. We are inexperienced in management, and we accept with pleasure and gratitude, the advice and the experience given us by the experts from the three governmental levels and above all the Board of Directors.

Mr. GRÉGOIRE: Besides slowing down your work, does this sometimes oblige you to orient yourself in a manner which you do not judge best?

Mr. KNEWASSER: No, not very often. Sometimes, the Department heads or the management of the exhibition suggest something, propose a way of developing the general plan which is subsequently changed by the administrative council or by the governments. In all cases up to now, the changes brought about by the government or the council have added improvements with the result that we shall have them as part of the Exhibition.

Mr. GRÉGOIRE: This question is intended not only for Mr. Kniewasser, but probably for all the heads of the different departments. Here is my question: in the light of experience acquired over the past few years with Expo, are there any changes which you would bring to the general plan or to certain other plans; are there improvements which you would bring about in your different departments or are there certain developments which are not taking place at the present time and that you would carry out? In the affirmative, should the necessary funds be approved for these developments, these improvements, would you have the time to carry them out? Would it benefit Expo and make of it a yet greater success?

Mr. KNEWASSER: Mr. Chairman, we think that the present general plan permits us to produce a magnificent exhibition. The Exhibition Corporation proposed changes in the general plan on three occasions, and on each occasion, the plan was changed after the conversations. Thus with the time we now have at our disposal and knowing the changes which have already been made by the governments, my colleagues and I think that the present general plan will enable us to produce, as I have said a while ago, a magnificent exhibition.

Mr. GRÉGOIRE: My question was not entirely intended to find out whether that would enable you to produce a magnificent exhibition. But should the budget be increased, and taking account of the time at your disposal, would you be able to produce, with the experience acquired since the general plan has been drawn up, those new ideas which might have arisen not only in your own imagination but also in that of your heads of departments, and which might lead to certain new developments?

Mr. CHAIRMAN: Mr. Grégoire, this is a very interesting question but, at the same time, it is a question which touches on policy and I do not think that it is the type of question which should be put to a functionary?

Mr. GRÉGOIRE: Mr. Chairman, with your permission; I gather that Mr. Kniewasser is the senior Expo official here, and the Committee's aim is to gather information and if, in the light of such a reply there is ground for the Committee to recommend that—

Mr. KNEWASSER: Yes, the Committee may be in a position to—

Mr. GRÉGOIRE: —make suggestions, without drawing up official proposals or official amendments, is an a position to make suggestions so that perhaps in certain fields, the Minister of Commerce might study certain points, and it was with this in mind—

The CHAIRMAN: The regulations do not allow us to increase the estimates; we may decrease them, as you know; it is time that we may make recommendations but, at the same time, we are venturing onto rather difficult ground; namely, general policy. I think it would be very difficult to ask this kind of question because, after all, these are functionaries and whatever answer be given to such a question, it might unintentionally create difficulties. You would thus be putting these officials in a rather difficult situation.

Mr. GRÉGOIRE: Mr. Chairman, I simply thought that I had given them the opportunity to express their views before a Parliamentary Committee and this without our being obliged to make recommendations. It is possible that their answers would, at least after reading the minutes, have incited the minister or the responsible people to take it upon themselves to decide whether or not the budget of Expo should be increased. It is simply in order to give those persons the opportunity to enlighten us and also to enlighten the government authorities as to whether or not the budget should be increased. Everyone is encouraged by the pace set by the exhibition and if more help is needed, I believe that now is the time to do it and to give them the opportunity to express themselves on that matter.

The CHAIRMAN: All of us on the Committee appreciate the underlying sense of your question and perhaps I can help you by suggesting that you ask Mr. Kniewasser whether he is satisfied with the present budget. In the affirmative, your question is answered; should the answer be negative, you might ask another question viz., whether or not he is free to make suggestions to his superiors?

Mr. GRÉGOIRE: Then, Mr. Chairman, let me put the question more directly. Are there, in the light of acquired experience, certain things which should be done which the budget does not permit you to do at the present time?

Mr. COMTOIS: On a point of order, I believe that the question is hypothetical and should be declared contrary to the regulations. I think that we are getting away from the subject. We should stick to Expo, as agreed. I think that there remains enough work to be done without wanting to add any more, because time is limited and the management is loaded down with work, and if all kinds of suggestions are made at this time we shall never see the end of it.

The CHAIRMAN: Yes, I want to avoid a decision based upon the regulations, and this is why I am trying to find a way permitting you to ask questions of that nature, but I think that Mr. Comtois has expressed a fairly sound point of view and I regret having to take a decision on the regulations.

Mr. KNI EWASSER: Mr. Chairman, without entering into the problem of procedure, you might perhaps say, in order to satisfy Mr. Grégoire, that I assure you that my colleagues and I will never hesitate to propose improvements or changes to the Government should we think these necessary for the success of the Exhibition.

Mr. GRÉGOIRE: A last question, Mr. Kniewasser, have provisions been made for caravanning and are grounds being set aside for that purpose?

Mr. BEAUBIEN: In the field of accommodation, we are bound to work in very close collaboration with the Government of the Province of Quebec to whose jurisdiction accommodation belongs. The Government of the Province of Quebec is busy drawing up plans in order that it may eventually put at our disposal twice the area of camping grounds existing at the present time for those people who wish to come to the Exhibition with their tents or with a trailer. At the present time, we have about ten thousand caravanning and camping grounds, and we have been led to believe that the Department of Tourism is preparing to increase this number, even to double it, by approving additional credits. Unfortunately, we are in the midst of an election campaign and it will take some time before a definite answer can be given with a view to knowing when these additional budgets will be approved.

● (5.01 p.m.)

Mr. GRÉGOIRE: Will cars be allowed on St. Helen's Island, the old part of St. Helen's Island, during Expo?

Mr. BEAUBIEN: No cars are allowed on the Exhibition site while it is open; only at night for provisioning.

The CHAIRMAN: The parks of St. Helen's Island are open to cars at the present time.

Mr. BEAUBIEN: The parks are available now to people visiting the site and, furthermore, during week-ends, we soon hope to inaugurate a bus service on Sundays, so that the population of Montreal may have the opportunity to see the Exhibition site by bus at a reasonable price.

Mr. GRÉGOIRE: But not during Expo on St. Helen's Island.

Mr. BEAUBIEN: Not during Expo.

The CHAIRMAN: Mr. Coates.

(English)

Mr. COATES: Mr. Chairman, I have a few questions I would like to ask about the salvage aspect of the operations, because, on the basis of anticipated revenues, we get the anticipated deficit or loss. I note that the anticipated salvage value has increased substantially from \$119 million to \$250 million and I wonder if someone could give an explanation of just how accurate they consider this salvage value to be.

Mr. KNI EWASSER: Mr. Chairman, I think the most helpful reply is that these salvage and assets values that you see in the master plan have been done with the prospective buyers after the exhibition, that is, the three levels of government who control this Corporation.

As for the increase, the increases, of course, with the capital acquisitions of the Corporation, there has not been any change in policy in respect of how you calculate the salvage or asset values.

Mr. COATES: In other words, the increase results from the increased participation that the exhibition itself has involved itself in on the site. Now, I wonder if we could get a possible example. Could you give me an example of what it was going to cost you to construct "Habitat '67" from the most accurate estimates as well as the salvage value afterwards?

Mr. REDIKER: The capital cost of "Habitat" is \$15,700,000 and we have a salvage asset value placed on it of \$8 million.

Mr. COATES: How did you arrive at this \$8 million?

Mr. REDIKER: I think we took into account the valuable land on which it is situated, the possibility of expansion in that area; in other words, as I said before, into an urban development, including a shopping centre and school and so forth; good access; the fact that we have virtually rented all of those that we have available for rent now, and putting all of those items together, there is a good element of, I think you would say, future earning values or good will and that is how we came up with our \$8 million; in other words, we think that is what we can sell it for to a willing purchaser.

Mr. COATES: Could you give me an example of what the rental values being made available to you are at the present time?

Mr. REDIKER: You mean the rent of the suite?

Mr. COATES: Yes.

Mr. KNI EWASSER: There are four types of suites. Let me put in a word before Dale gives you the figures. Our rental strategy on "Habitat" is to, during the period of the exhibition, get as much money out of "Habitat" as we possibly can, so that the net cost, the final cost, of "Habitat" will be as low as possible; so our rental policy now is to get commissioners general of participating countries, companies in Canada who want to have a hospitality suite in the exhibition, to pay rates which correspond to the rates of suites in major hotels in Montreal.

Mr. REDIKER: So, they are high?

Mr. KNI EWASSER: There is no relationship to what could be the eventual rental policy of "Habitat".

Mr. REDIKER: There are four types of suites, one, two, three and four bedrooms, they are quite large suites, they are unfurnished, the price of a one bedroom suite of which we have eight and it depends upon which floor it is on; in other words, as you go higher you get more money, is \$300 to \$330 per month; the two bedrooms, \$415 to \$580; three bedrooms, \$620 to \$700, and four bedrooms \$620 to \$685 per month.

Mr. COATES: It will not take long to realize your investment if you can do that for a few years.

Mr. REDIKER: And I think it will establish a market for them, frankly, for the future sale again, which will increase the asset value of the project.

Mr. COATES: Now, with La Ronde, am I correct in understanding that the city of Montreal will be paying you or have already agreed to purchase this.

Mr. REDIKER: That is right.

Mr. COATES: Has there been a price agreed upon as far as purchasing is concerned?

Mr. DELORME: This disposal of La Ronde has been dealt with by an agreement between the three governments, and I would like to elaborate a little further to answer your question more specifically. The park will be sold to, or let us say, the asset that the park represents will be transferred to the three governments for a price equivalent to the net value of the capital investment, less amortization, as same could be evaluated by an independent assessor. The La Ronde will be administered after the exhibition for, let us say, a trial period of two years, and the net profits will be shared by the three governments in proportion to their investment, which as you know is 50 per cent, 37½ per cent and 12½ per cent respectively, and after these two years, the city of Montreal will have an option to purchase the Canadian government share and the Quebec government share at a value representing the depreciated asset at the time of the sale or the value calculated according to normal commercial practices, an independent assessor intervening, if necessary.

Mr. COATES: I have only one other question and it is not related to salvage; it is related to the discussion I had with our distinguished Doctor Ollivier, it relates to the miniature display of Expo '67. He was wondering and when he mentioned it to me, I wondered too, if there has been any consideration given to possibly displaying this for a period of time in the House of Commons, in the Parliament buildings, in view of the fact that, for instance, in the last holiday week end, we had forty-five thousand people go through the Parliament buildings in a three day period, twenty-five thousand in one day, to give an example of the display value that something like this might have.

Mr. JASMIN: We would be pleased to undertake such a display if the opportunity was offered to us.

The CHAIRMAN: May I suggest, Mr. Jasmin, that you contact the office of the Speaker, I am sure that if necessary we would make a formal motion, but I am sure that the Committee here would unanimously recommend to the Speaker that a space be provided for an Expo display. Are we agreed?

Some hon. MEMBERS: Agreed.

Mr. JASMIN: Thank you very much.

Mr. COATES: I think that finishes my questioning. Before I finish, I would like to thank the officials very much for the very frank and outstanding way they have prepared themselves for the questions we have asked as a Committee. That is my personal opinion, I have been very impressed today as I was the last time I was here.

The CHAIRMAN: Now, Mr. Laflamme?

(Translation)

Mr. LAFLAMME: I only have one or two questions to ask, either to Mr. Kniewasser or to Mr. Beaubien. I should like to know whether the directors of

the Commission are authorized to get in touch with the various heads of State of those countries which have pavilions on the Expo grounds, and to invite them for an official visit in the course of the Exhibition, which to my mind, would be of considerable interest.

Mr. KNEWASSER: Mr. Chairman, a few months ago conversations were held between the Exhibition Corporation and the various governments. Following these conversations, the governments have decided to invite all the heads of State of the participating countries. In conformity with international convention, we have told the commissioner general of each participating country that the Canadian Government will invite his head of state, and the Canadian Government is now busy establishing the terms and conditions and sending these invitations through the ordinary channels of diplomacy.

Mr. LAFLAMME: At the present time, you have no idea how many heads of State might—

Mr. KNEWASSER: No.

The CHAIRMAN: Have you finished, Mr. Laflamme? And now, Mr. Chrétien.

Mr. CHRÉTIEN: Just one question, Mr. Chairman. It has been stated that there would be thirty million visitors in the course of the exhibition in 1967. For the sake of comparison, would it be possible to know how many visitors there were to the Exhibition in Brussels and how many visitors there were to the Exhibition in New York in each year.

Mr. BEAUBIEN: The Universal Exhibition held in Brussels in 1958 and which covered the centre of Europe, a very densely populated market, had 43 million visits during the six months it was open. The New York Exhibition had 27 million visits during its first year. The second class Exhibition in Seattle had 9 million visits. And if I remember well, New York had 20 million visits during the second year.

Mr. CHRÉTIEN: Very well, thank you.

(English)

The CHAIRMAN: I have no further names on my list and, therefore, I am prepared to ask the Committee if vote 29 carries.

Item agreed to.

Gentlemen, I think we have finished our agenda for today and before adjourning, if I may say—

Mr. GRÉGOIRE: Are we going to take up the census item this week?

The CHAIRMAN: I think the Committee decided at its last meeting that the estimates of the Dominion Bureau of Statistics would be taken up after we have completed our study of the estimates of the Department of Trade and Commerce properly so-called and we have the vote on the standards branch and the completion of anything we have to do on item 1.

Mr. GRÉGOIRE: We will not this week end take up the Dominion Bureau of Statistics item?

The CHAIRMAN: No, not according to the decision of the Committee on last Thursday.

Mr. GRÉGOIRE: I can rely on that?

The CHAIRMAN: Certainly.

Mr. GRÉGOIRE: I am going to take part in the provincial election.

The CHAIRMAN: I do not think it is necessary to have this enter in our discussion at this time, interesting though the subject may be. Before adjourning, I have—

(Translation)

Mr. CHRÉTIEN: Mr. Chairman, before adjourning, I should like to propose, if someone will second it, a motion of congratulations for the excellent work being done by the Exhibition Corporation.

Mr. GRÉGOIRE: Seconded, Mr. Chairman.

(English)

The CHAIRMAN: I think that this motion would be unanimously accepted and supported by the Committee. I was going to say, in my capacity as Chairman, that I felt I would be speaking for the entire Committee in not only thanking the officials of Expo who have been with us through the day, but in a sense congratulating them for, as one member has already stated, dealing with their questions frankly and fully and helping us carry out our task of reporting to the people of Canada on the way that this very important national project is dealing with the public funds they put forward through their taxes. I think that I can say that I, as Chairman and the entire Committee, have been very impressed with what we have seen to-day.

(Translation)

And we are all greatly impressed by the work which we have seen and also by the answers to our questions. This is important for us because it is not only a project for the city of Montreal, or for the province of Quebec, but for the whole of Canada.

(English)

It is important to me as a member of Parliament for a large part of the City of Windsor, to people like Jean Chrétien from Shawinigan; to Dr. McLean, from New-Brunswick, to Harold Stafford, from Elgin riding and St. Thomas; to Bob Andras from Port Arthur; Jean-Charles Cantin, Parliamentary Secretary to the Minister of Trade and Commerce, also from the Quebec area; to our vice-chairman, Mr. Laflamme, from the Quebec area; to Bob Coates who has taken a special interest in this project, and I know you represent also a riding in Nova Scotia. We have had the hon. George Hees from a central Ontario riding, Mr. Monteith, from Stratford.

(Translation)

Mr. Grégoire who also represents a very important region of the province of Quebec. I am not talking about political parties at the present time; this, of course, is evident.

(English)

Mr. Lambert from Edmonton, Alberta; Mr. Comtois, from a riding not far from this area. I think that the representation at our Committee meeting today indicates the interest of the Parliament of Canada that has asked to carry out this work.

By way of concluding, I also want on behalf of the Committee, to express a word of thanks to those who have worked very hard on short notice to help make the technical arrangements; our Committee clerk; the head of the recording service and his staff; the interpreters; the executive assistants to the general manager of Expo; the chief of protocol; the Parliamentary Secretary of the Department of Trade and Commerce; the Parliamentary Secretary himself, the Minister's staff, and I hope I am not making the mistake of leaving somebody out that should be included. Mr. Grégoire wants me to mention the official Expo hostesses, plural, and, in fact, the entire staff of Expo. I think that our visit here today has been most useful and, therefore, I declare this Committee meeting adjourned.

(Translation)

Mr. CANTIN: Mr. Chairman, with your permission, I wish to convey the Minister's thanks to all the personnel of Expo for its co-operation to-day. Were I to write this day up, I would entitle my article "Round-Table Conference with Expo 67". We wish you every success. Your success will be ours and I think that from now on all the members of Parliament, the members of the Committee will certainly join you in promoting this Exhibition which is so dear to us and so important for Canada.

(English)

The CHAIRMAN: Mr. Kniewasser?

Mr. KNIESWASSER: Mr. Chairman, just let me say on behalf of all of us engaged in this work and the Corporation, that we appreciate your coming here today. We particularly appreciate the way you have dealt with us and really it means a lot to us to hear you say the things you have all said. We really believe that we are doing something important for the country and that is what keeps us going. Thank you very much.

The CHAIRMAN: So our meeting here today will perhaps help take this message across Canada. I might say in adjourning that I think it may be obvious to those who have watched our meeting that this has been a working session throughout the day, even with the working lunch, it may be of interest to those who are following these proceedings to know that we expect to be back in Parliament this evening to attend the session for several hours yet. This may be interesting to those who had comments on the working of Parliament today.

Members of the Committee, I declare this meeting adjourned until this coming Thursday, at 3:30 or after orders of the day.

(Translation)

The CHAIRMAN: The meeting is adjourned; thank you very much.

APPENDIX "C"

STATEMENT BY R. F. SHAW, DEPUTY COMMISSIONER
AND VICE-PRESIDENT, CANADIAN CORPORATION
FOR THE 1967 WORLD EXHIBITION

The Canadian Corporation for the 1967 World Exhibition appreciates this opportunity to discuss Expo '67 with the Standing Committee of the House of Commons on Finance, Trade and Economic Affairs and, in particular, appreciates the fact that the Committee has come to the site for on the spot deliberations which we are sure will provide an opportunity for a thoughtful and accurate assessment of this great undertaking.

The Corporation is sure that the Committee will agree that:—

Expo '67 will be worthy of its position as the focal point of Canada's Centennial celebrations;

it will make a real contribution towards building confidence in Canada both at home and abroad.

1—FACTORS

(a) The New World has never had a first category Universal and International Exhibition authorized by and registered with the International Bureau of Exhibitions.

The Bureau with 32 member nations was formed in 1928 to improve the quality and decrease the improper frequency and cost of large exhibitions. The policy of the bureau with respect to exhibitions might be summarized as follows:

Good sales result only from good exhibiting. The world has become accustomed to and disinterested in sophisticated "hardware". The technical and scientific qualities of complicated machinery are best shown at specialized trade fairs. The large exhibition designed to attract millions of visitors from all walks of life should design its exhibits in such a way that they will attract the interest of all.

Therefore, at a large exhibition the exhibitors must demonstrate human progress, and problems and man's hopes or plans for the future—they must place man himself in the centre of the stage and show how he studies, explains and tries to alter his environment for the benefit of society. In fact, the world exhibition is probably the best place to study Man in His World. It should be emphasized that it is quite proper to show product in a large exhibition provided it is used to tell a story of human environments and human values in such a way as to attract the interest of millions.

To succeed the large exhibition must be well balanced. It must stimulate the mind through education and culture and it must relax the mind with wholesome entertainment and fun.

To succeed large exhibitions must avoid undue hardship on exhibitors, concessionaires and visitors. Therefore, large exhibitions must not occur too

frequently or last too long. The host must be, above all, a good host. At all costs he must avoid improper exploitation of either exhibitors or visitors.

Some of these policies are strange to North Americans who have grown with fairs where goods are sold on the spot to the visitor—all the way from the annual agricultural fair up to the huge trade fair. Such fairs are losing their public appeal, and their organizers are beginning to give thoughtful consideration to the policies established in the rest of the world by the International Bureau of Exhibitions.

(b) *The New York Fair*

The New York World's Fair was a good show, damaged by a bad reputation.

it was huge

it was close to Montreal

it closed only eighteen months before the opening of Expo 67

it claimed that it would be profitable

it rejected the International Exhibitions Bureau

it ran for two years

it had the heavy financial support of the American parents to many companies who would be needed to ensure the well-balanced success of Expo 67.

Inevitably New York aroused the fears of those "modest" Canadians who refer to our country as a "small nation".

The failures of New York aggravated these fears. However, the effect of the New York World's Fair was accepted as a business risk by those who applied for the authorization of the International Exhibitions Bureau for Expo 67 after the New York organization was set up and operating.

(c) *Economics*

If the Exhibition is successful it will cost the Canadian taxpayer nothing, in that the taxes generated by spendings inside the fence of the Exhibition, estimated at \$142,000,000, will exceed the net cost of the operations of the Corporation. (Appendix A).

There is considerable evidence that all large world exhibitions result in a heavy net cost to the managing corporation.

All successful world exhibitions have returned a huge profit to the host nation and these benefits continue after the exhibition.

If we achieve the results indicated by our surveys (and our advance admissions sales to date seem to indicate success), then we may expect:

Additional tourist revenue to Canada in 1967 as a	
direct result of the Exhibition	\$400,000,000
Spending by foreign exhibitors	\$200,000,000
	<hr/>
	\$600,000,000

If the economist's rule of thumb is correct then each such measurable dollar creates the spending of three other dollars and the total benefit to the Canadian economy will be of the order of two and one half billion. The surveys indicate that only 40 per cent of the tourist spending will be in the Montreal area.

Our most recent surveys on the acceptance of Expo 67 in Canada were prepared in collaboration with the Province of Ontario and Air Canada.

Results may be summarized as follows:

(1) 86 per cent of Canadians are aware of the fact that there will be a World's Fair in Canada in 1967. This ranges from a high of 98 per cent in Quebec to a low of 77 per cent in British Columbia. Of those who have heard of the Exhibition, 80 per cent could identify it as "Expo 67".

The interesting point is the high degree of knowledge in the Prairie Provinces where 85 per cent have heard of the Exhibition.

(2) The surveys indicate that already 4,651,000 Canadians definitely plan to go to the Exhibition. Of these, those that come from outside Quebec plan to spend five days in Montreal. This is a considerable gain from our design criteria which assumed 4,200,000 Canadians would visit the Exhibition and that out-of-Province visitors would spend three days in Montreal.

In addition, the surveys indicate that 3,180,000 Canadians think that they will *probably* go to the Exhibition and 5,920,000 Canadians think that they will *possibly* go to the Exhibition.

10 per cent of travellers to Expo will also visit the Atlantic Provinces and 6 per cent will visit Western Canada.

86 per cent of Canadians outside Quebec consider the Exhibition to be important. The highest acceptance was in the Prairies at 93 per cent. The principal reasons given for the importance of the Exhibition were "education", "good for children" and "Canadian unity".

There are virtually no negatives concerning Expo 67 that do not apply to any major group activity. There is no sentiment of measurable proportions against Expo 67.

A World Exhibition calls for many new skills. The requirements of Expo for new products and skills will encourage industry to expand and develop in new fields. Full employment means reduced payments by unemployment insurance funds. Business activity in one area is reflected coast to coast.

Ontario estimates benefits from Expo 67 of the order of \$200,000,000.

Expo has already spent or committed more dollars in the Western and Atlantic Provinces than the value of their Pavilions.

It is difficult to imagine a peace-time project which would do more than a world exhibition to stimulate business activity throughout the nation.

The cost of mounting the exhibition is divided equitably in that those areas which draw the greatest benefit are those that foot the lion's share of the bill.

The Montreal taxpayer carries the heavy load of cost and draws the greatest benefit. The Provincial taxpayer outside Montreal stands next and the Federal taxpayer outside Quebec gives and receives appropriately smaller amounts.

The City of Montreal is providing 12½ per cent of the net cost of the Exhibition Corporation, plus an exhibit, plus the site upon which the exhibition is built as required by the Tripartite Agreement, highway access to the site within the City and subway access to the site all as required by the Tripartite Agreement. (Appendix B). In addition, of course, Montrealers are paying their share of the Exhibition as Provincial and Federal taxpayers.

The taxpayers of the Province of Quebec, in addition to being Federal taxpayers, are paying 37½ per cent of the cost of the Exhibition, are providing highway access outside the jurisdiction of the City, and are erecting a pavilion.

The Federal taxpayers are paying 50 per cent of the net cost of the Exhibition, are erecting a pavilion and are providing such other facilities as the Broadcast Pavilion through CBC (Appendix C).

It is true that some of the work being done by the three sponsoring governments on such things as highways, subways, harbour improvements, and the CBC building would have been done in any event at some future date, but it is also true that most of that work was not contemplated for immediate execution until the Exhibition was undertaken.

(d) Public Relations

Three governments—Federal, Provincial and Municipal—have formed a partnership to stage the Exhibition. Eighty-five other governments and some one thousand private organizations have agreed to participate. This creates an atmosphere of extreme delicacy. Confidence in the Exhibition can be enhanced only by constant effort—and can be destroyed by destructive criticism or bad publicity from any powerful source.

Every Canadian who does work on or in connection with the Exhibition, including this committee, is a salesman of participation, concessions and admissions. In this respect, we differ greatly from normal government operations.

The problem faced by all Canadians, therefore, is to give such thoughtful consideration to their suggestions and criticisms that they will enhance rather than destroy a feeling of excitement and anticipation with respect to Expo 67.

Revenue estimates are difficult to estimate because they are most sensitive to public opinion. The end result will hinge—on the day to day confidence in Canada and Expo 67.

(e) Responsibility

Expo '67 carries a heavy burden of responsibility. It is the focal point of our Centennial celebrations. It is the point to which Canada has invited the Nations of the World and all Canadians to join in celebrating our birthday party.

It is a potent force for encouraging national prosperity and for strengthening confidence in Canada abroad. Canada's position throughout the world will

be enhanced considerably. The recent years, marked as they were with a search for national identity and with internal divisions, have had a somewhat damaging effect on Canada's image abroad. We feel that our country now has a greater need than ever for the kind of achievement which would maintain and enhance our reputation in the world community.

It is difficult to imagine a single peacetime project which would be a greater force for unity and understanding among Canadians. A great exhibition will be a cause for pride for all Canadians, pride in a world-recognized achievement which Canadians from all parts of the country will make possible. Such pride contributes materially to a good start on the second century of Confederation.

The many exhibitors are investing huge sums. They are placing their own reputations and judgment on the line with Canada's. They expect to be associated with a success. (Appendix D).

(f) *Schedule*

In 1948 the Belgian Government designated an <i>existing exhibition site</i> in Brussels for the 1958 World Exhibition	with 10 years to go
The Commissioner General was appointed in 1951	with 7 years to go
New York designated the <i>existing site</i> of the 1939-40 fair for the 1964-65 fair	with 4 yrs. 8 mos. to go
The Act creating Expo 67 was passed on Dec. 20, 1962	with 4 yrs. 4 mos. to go
The Management changed in September 1963	with 3 yrs. 7 mos. to go
The <i>undeveloped site</i> was handed to the Exhibition Corporation on June 30, 1964	with 2 yrs. 10 mos. to go

2. THE BOARD OF DIRECTORS

You have appointed a hard-working and dedicated Board of fourteen non-employee Directors—drawn from business and government from coast to coast. Each one has already demonstrated his success in the Canadian community. Each has placed his reputation on the line and has stayed with the task through thick and thin. Only the non-employee members of the Executive Committee draw fees for their services.

The Board meets once a month and the Executive Committee at least twice a month. There are constant additional demands on the Directors' time. The work load is tremendous.

The members of the Board are:	Appointed
Mr. T. Norbert Beaupré	Chairman, British Columbia Forest Products Limited. Chairman, Domtar Ltd.
Jean Drapeau, Esq., Q.C.	Mayor of the City of Montreal

Mr. Pierre Dupuy*	Commissioner General, Canadian Corporation for the 1967 World Exhibition
Mr. Jean Lanctôt	President, Rougier Inc.
Mr. Herbert H. Lank	Chairman of the Board, DuPont of Canada Limited
Mr. Victor deB. Oland	President, Oland & Son Limited
Dr. Lucien Piché	Vice-Rector, University of Montréal
Mr. Claude Pratte	President, Pratte & Côté (Assce) Ltée
Mr. H. C. Pinder*	Secretary-Treasurer, The Saskatoon Drug & Stationery Co. Ltd.
Mr. Maurice Riel, Q.C.	Riel, Le Dain, Bissonnette, Vermette & Ryan
Mr. André Rousseau*	President, Rousseau Metal
Mr. Lucien Saulnier*	Chairman, City of Montreal Executive Committee
Mr. R. F. Shaw*	Deputy Commissioner General Canadian Corporation for the 1967 World Exhibition
Mr. Fridolin Simard	President, Simard & Beaudry Inc.
Dr. O. M. Solandt	Chancellor, University of Toronto, Vice-President, Research & Development, The de Havilland Aircraft of Canada Limited

*Executive Committee

3. POLICY

Based on the factors outlined above, the policy of the Corporation has been consistent.

(a) *Quality*

The Exhibition must be of the highest quality. This quality must be maintained regardless of the degree of support, on time, from exhibitors, sponsors and concessionaires.

The concept of the theme "Man and His World" was outlined at the request of the Corporation by a group of distinguished Canadians who met at the Montebello Conference in early 1963 (Appendix E).

It was determined that the emphasis should be shifted away from a display of rivalry between nations towards an emphasis on co-operation between men of all nations. It was determined that exhibit content and techniques should be shifted away from a straight-forward presentation of technological and other achievements towards an examination in depth of the condition of man on

earth. Thus, through techniques which would be educational and entertaining, the exhibits should subject the visitors to a significant experience designed to develop the visitors' appreciation of where man now stands.

The complex of Theme pavilions was conceived as the most suitable way to achieve these two objectives and to encourage independent exhibitors to follow this concept.

The Theme pavilions are a co-operative enterprise to which exhibitors are invited to contribute exhibits or sponsorship in conformity with the storylines which were developed as a result of the Montebello conference.

The main criterion which was used in evaluating proposed Theme exhibits was to assess how well they would show how man, at the threshold of the immediate future, is using—or is failing to use—technology, science, the arts and all other major forms of human endeavour and expression, to improve his lot on earth.

The record-breaking number of participants and the enthusiasm of their acceptance of the concept are evidence of the wisdom of the policy of setting standards of high quality. To fall short of greatness would have meant to be content with mediocrity. There will be few benefits to Canada if we achieve only mediocrity.

It was determined that we must develop a well balanced Master Plan. This was submitted to Government on December 20, 1963 and approved. We have now developed a program which we believe will result in a truly great exhibition from which our exhibitors will draw a maximum benefit, from which Canada will be strengthened, both internally and externally, and which will provide to our visitors both education and high-quality entertainment.

In addition to the Theme pavilions, our plan provides:

An unprecedented season of high-quality entertainment, both cultural and popular, which will show Canada the best that the world has to offer, and the world the best that Canada has to offer. By combining our efforts with the Centennial Commission, we expect to provide much of this programme to the rest of Canada, thus providing a broader economic base for the programme.

Several permanent features which will survive the Exhibition, including the two main bridges, the Administration and News Building, the Art Gallery, Habitat '67, the aquarium and the amusement area.

The Montebello Conference suggested that the exhibition should not build a meaningless vertical symbol. Through Habitat '67, we expect to leave behind a meaningful symbol marking Canada's contribution to urban development.

A spectacular and beautiful site which has been developed in a most imaginative way by our architects and which combines beauty, excitement and efficiency unmatched in previous world exhibitions.

An organization which will use these tools for the efficient handling of our visitors and for the maximum ultimate good of Canada and the guests who will be exhibiting here in 1967.

It cannot be over-emphasized that the various aspects of our fully integrated plan cannot be separated. The successful implementation of each part

depends largely on the successful implementation of the other parts. Greatness, for an exhibition, is not one or two or three things. It results from the combination of many components which together achieve a general level of excellence and harmony.

The Corporation must, of course, provide control and general visitor comfort. In addition, it must provide certain basic facilities such as the stadium, the welcoming places or gates, the amphitheatre and certain bandshells and theatres. The Corporation must also provide the basic design and enough of the buildings and exhibits to ensure a well-rounded presentation of the Theme "Terre des Hommes".

(b) *Schedule*

Because of the record-breaking schedule imposed on the Corporation, the work must proceed vigorously on all fronts. Therefore, whenever a deadline has been reached and an expected sponsor or concessionaire has not yet come forward, the Corporation has obtained Government approval to undertake the work itself—while continuing to seek support.

The Master Plan submitted on December 20, 1963 governs the whole operation. There being no Canadian or North American experience in the staging of a Universal and International Exhibition, this plan was based on extensive surveys by skilled consultants. The Corporation also drew upon the experience of a number of previous exhibitions who were most generous with their assistance.

Because of the shortness of time, and up to date method of scheduling all projects, including those of participants, was installed. This is a computer orientated critical path method of scheduling, which gives immediate warning of any slippages in progress. At this moment all projects of the Corporation and its exhibitors are on schedule with the exception of 10 participants whose work is off schedule although not seriously. On the projects being performed by the Exhibition itself (the Theme Group "Man the Explorer" and the Theme Group "Man the Producer") are off schedule due to design difficulties encountered on site. In both cases, the slippages have been arrested.

PROGRESS

In order to demonstrate progress, let us take two tours of the site simultaneously—one of which will show you how things will look in 1967 and the other how they look today.

Slide A1-B1-C1

You will enter the Montreal area over a network of express highways being built by the Municipal and Provincial Governments which will bring you to one of the two major parking lots, one each on the north and south shores of the river, or to one of the many parking lots adjacent to the new Montreal subway.

Slide B2-C2

The tunnelling which extends this subway from both sides of the river to the beautiful Expo site is now completed. This subway is being provided by the City of Montreal at its own expense. The work of installing the tracks and station on the Expo site is now in hand.

Slide B2a-C3

The site has, in general, been provided by the City of Montreal at its own expense. The city has extended the existing St. Helen's Island upstream and downstream and has built a completely new island alongside the dyke at the entrance to the St. Lawrence Seaway. Through the Expo Corporation, the National Harbours Board has completed its programme for the development of the Bickerdyke Basin. On side of this basin forms that part of the Exhibition site to which we have invited many of the world's famous ships to visit us for the education and entertainment of visitors to the Exhibition.

Slide C4

The Exhibition Corporation has taken the undeveloped site and has done the general grading for landscaping, the sewers, water lines, power and communication ducts and has shaped the canals which will emphasize the water setting in which the Exhibition is located.

Slide C5

Wherever site conditions permit, the Corporation has, during the past year, carried on with the finished landscaping including the planting of thousands of trees and shrubs.

Slide C6

Details of the plazas throughout the Exhibition site have been completed and the work is in hand. Some of these plazas are sponsored as is the case with this one which is sponsored by the Professional Engineers.

Slide B3-C7

To travel from one part of the Exhibition to another, the Corporation has constructed bridges and this work was rushed to completion last summer to provide access for construction materials during the current heavy pavilion-building period. The St. Lawrence is spanned by Concordia Bridge which is of an unusual and economical design, there being only two such bridges in existence in North America and both of these are in Canada.

Slide C8

The Bridge of the Isles which runs from St. Helen's Island to the new Ile Notre Dame across Lemoyne Channel is also unusual and attractive design.

Slide B3a-C9

There are nineteen minor bridges going up across the Lemoyne Channel and the Canals.

Slide B4-C10

From one end of the Exhibition to the other is a fully-automated electric mass transit system which runs on its—

Slide B5

—own separate right of way, a distance of $3\frac{1}{2}$ miles—

Slide C11

—with stations on the main areas of the Exhibition site. The cost of riding on this system is included in the price of admission to the Exhibition. This is a notable and popular first for world exhibitions.

Slide A2-B6-C12

If you really wish to enjoy a trip around any of the five separate areas of the site, you may pick up a hostess and then travel on the secondary transportation systems made up of either tractor, trains or small monorails called minirails. In addition, there will be low capacity rides such as the teleferique on La Ronde and exotic boats on the river and the canals.

Slide A3-B7-C13

If the visitor arrives by automobile, bus or taxi at the main gate—Rendez-Vous 67—he will find—

Slide C14—numerous visitor orientation facilities and the terminal of the mass transit system. Close by is—

Slide B8-C15—the 25,000 seat automotive stadium where spectaculars such as military tattoos, horse shows and athletic events will be staged.

Slide B9 - C16

Close to Rendez-Vous 67 is the Corporation's Administration and News Building which has been designed as a permanent structure—as our economic studies indicated that at this location there was greater economy in building and selling a permanent office building than in building and demolishing a temporary building.

Slide B10 - C17

As the visitor travels along Harbour City, he will pass first the Broadcast Centre being erected by the Canadian Broadcasting Corporation. This is a permanent building which is an exhibit and will also introduce colour TV in Canada. The basic studio and portable facilities will be provided free of charge to the broadcasters of the world, although there will be a charge for special labour, tapes and the like, requested by the visitors.

Slide B11 - C18

Next is the Art Gallery in which some one hundred and seventy of the world's great masterpieces will be shown. Because of the value of these masterpieces, this, too, is a permanent, climate-controlled high security building.

Slide B12 - C19

Nearby is a 2,000 seat theatre where cultural and entertainment programmes and National Day celebrations will be held and the Pavilion "Man and Music".

Slide B13 - C20

You will be interested in the International Trade Pavilion sponsored by the Canadian Banks, in which the Governments and business leaders of the world will be encouraged to meet together for the benefit of all. This facility includes counsellors, secretarial and translation services, rooms for meetings or the showing of films, and a club where those interested in business development may meet together in appropriate surroundings. The staff will seek out business visitors and help them to arrange travel and meetings wherever their interests lie. Already the Canadian Trade Commissioners have been briefed and are at

work encouraging the business world to visit Expo 67. Over 15,000 individuals, associations and firms have been or will be urged to visit Expo 67 and to take part in our six-month long economic programme. Already 126 business organizations plan to send 175,000 delegates from almost 50 countries to take part in this programme. Every exhibitor is automatically a member of the Business Development Bureau and, as such, receives lists of all invitations issued and accepted so that he may reinforce our invitation or join in the programmes.

Slide B14 - C21

Further along, you see a group of pavilions including the fascinating Labyrinth produced by the National Film Board. We have divided the basic theme "Man and His World" into divisions:

Man the Explorer (Science and Biology)

Man the Creator (The Fine Arts)

Man the Producer

Man and the Community, and Man the Provider

Each of these divisions has again been broken down into subdivisions for presentation. Labyrinth gives an overview of the whole theme "Man and His World" in three strange theatres in one building.

Slide B15 - C22

Your train now passes two thematic presentations, "Man and the Community" which studies the social, political and health problems of the community of mankind and then

Slide C23 "Habitat 67" which examines the problems of housing the world's exploding urban population. It demonstrates a method of bringing suburban-type living to the decayed heart of a city and of remarrying a seaport city to its waterfront. By means of a man-made slope, each dwelling has a garden, a view of city and river, privacy and sunlight. Under the slopes are shops and garages. It should be emphasized that "Habitat 67" is neither a high-cost nor a low-cost housing development. It is an exhibit created to stir the imagination of architects and town planners who are attacking the problem of urban development and redevelopment. This will be the lasting monument to Expo 67—just as the Eiffel Tower became the lasting monument of the Paris Exposition of 1889. That famous tower taught the world to build high buildings on steel frames—although no-one ever built a skyscraper which looked like it.

Slide A4—B17—C24

On the upstream extension of St. Helen's Island, known as Ste. Hélène, you see the main amphitheatre in which will be held outdoor National Day celebrations and performances by amateur and professional groups.

Slide B18—C25

Here, too, is the theme pavilion "Man the Explorer" which examines man in his physical or scientific environment. In the sub-theme

Slide B19—C26 "Man and the Polar Regions" you see the history, geography and natural phenomena of the Arctic and Antarctic. You are given a polar voyage in which you see the Arctic in all its moods and all its beauty. You see the differences between the Arctic and Antarctic. You see plant and animal life.

Slide B20—C27

"Man and the Oceans" shows man's endeavour to understand and make better use of another great, little-known portion of this world. You see and feel ocean moods, the life cycle of the oceans and the evolution of life in the sea. Man has much to learn about this part of his world.

Slide B21—C28

Then comes "Man and his Planet" showing how man's interest extends under the earth, on the earth and above the earth—up into space.

Slide B22

Finally, you enter the exhibit entitled "Man and Life" which studies the development of man from a single primitive cell and shows the long strides that have been made and are still ahead to obtain the best from the human body and brain.

Slide B23

In the DuPont Auditorium, which is a part of the "Man the Explorer" complex, there will be a constantly-changing programme of lectures, symposia and shows dealing with the problems created in the environment of man by our increasing skill as scientists.

The balance of Ste. Hélène is occupied by an interesting group of national and private pavilions including:

Slide B24—C29	NETHERLANDS
Slide B25—C30	BELGIUM
Slide B26—C31	CHINA
Slide B27—C32	JAPAN
Slide B28—C33	SWITZERLAND
Slide B29—C34	AUSTRIA
Slide B30	KOREA
Slide B31—C35	SCANDINAVIA
Slide B32—C36	U.S.A.
Slide B33—C37	IRAN
Slide B34—C38	THE PAVILION OF THE TELEPHONE ASSOCIATION

USES: A fascinating Disney Film technique in which the screen places you in the very centre of activity. You must turn in the theatre to see what is ahead of you or behind you or on either side—just as you must in this room. You will also want to see the pavilions of:

Slide B35—C39	THE BREWERS' ASSOCIATION
Slide B36—C40	AIR CANADA
Slide B37	POLYMER

On Ile Notre Dame there is a group of National Pavilions, including:

Slide B38—C41	GERMANY
Slide B39—C42	AUSTRALIA
Slide B40	INDIA
Slide B41	CUBA

Slide B42—C43	CZECHOSLOVAKIA
Slide B43—C44	YUGOSLAVIA
Slide B44	CEYLON
Slide B45—C45	ISRAEL
Slide B46—C46	TRINIDAD-TOBAGO
Slide B47	MONACO
Slide B48	MEXICO
Slide B49	AFRICAN PLACE—in which a group of 15 developing nations have banded together to exhibit, each nation buying from the Corporation a portion of this assembly of small pavilions.
Slide B50—C47	THEN TUNISIA
Slide B51—C48	FRANCE
Slide B52—C49	UNITED KINGDOM
Slide B53—C50	U.S.S.R.

There are two thematic pavilions on Ile Notre Dame:

Slide B54-C50 "Man the Provider" deals with agriculture. This is the story of a great challenge. It is estimated that some 500 million people in this world receive insufficient food or have an unbalanced diet, and the world population is increasing at the rate of 2 per second. You see here man's effort to increase what this world provides in food, shelter and clothing, through his studies of production in the ground, and

Slide B55 in animal breeding. You see how he attempts to improve quantity and quality by machinery, fertilizer and the control of pests and disease.

Slide B56-C54

On Ile Notre Dame, there is also the theme exhibit known as "Man the Producer"

Slide B57 which studies the resources of man and how he uses materials from the earth and energy from the sun and converts them to his purposes. Systems of communications and electronic control help him in the use or misuse of the vast technology which is at his disposal.

Slide A5-B58-C55

Incidentally, if you grow tired you may escape to one of the centrally-located service areas where you will find rest rooms, boutiques, hot-dog stands and music, or to the beautiful existing St. Helen's Island Park which will remain untouched in all its beauty, except for the addition of rose gardens, sculptures and the Sun Life Carillon. If you are on Ile Notre Dame, you may find your way to the park at the upstream end of that island where you may sit among simulated typical Canadian landscapes and watch the canoe races or small boat sailors.

Slide A6-B59-C56

Next to this park on Ile Notre Dame is a group of Canadian pavilions, including the Pavilion of Canada which will tell the story of man in the environment of Canada and show how we Canadians have met the challenges of

climate, distance and communication. It will show our ethnic and historical background and how we are dealing with these influences. Here too, are the pavilions of

Slide C57

ONTARIO

Slide C58

THE ATLANTIC PROVINCES, which will construct a yacht before your eyes to suggest how man first found the Atlantic environment.

You will also find the pavilions of:

Slide B62—C59

QUEBEC

Slide B63—C60

THE WESTERN PROVINCES

Slide B64—C61

AND THE PAVILION OF THE
CANADIAN INDIAN

Slide B65—C62

The Christian Pavilion marks an historic first in that the seven principal Christian Churches of Canada have banded together to put on an exhibit on "The Christian Man".

Also, on Ile Notre Dame is a group of interesting private exhibits including the pavilions of:

Slide B66—C63

THE STEEL INDUSTRY

Slide B67—C64

CPR-COMINCO

Slide B68—C65

CNR

Slide B69—C66

SERMONS FROM SCIENCE

Slide B69a—C67

CANADIAN PULP & PAPER ASSOCIATION

Slide B69b—C68

PAVILION OF ECONOMIC PROGRESS

Slide C69

CANADIAN LUMBERMEN'S ASSOCIATION

Slide A7-B70-C70

Finally, at the downstream extension to St. Helen's Island is the Amusement Park. This is not a noisy midway but a delightful family fun area similar in concept to the famous Tivoli Gardens of Copenhagen. You descend at the other end of the Mass Transit System at Rendez-Vous La Ronde and then you may enjoy the rides or

Slide B71-C71 the aquarium being constructed by the Aluminum Company of Canada Limited and presented permanently to the City of Montreal and to St. Helen's Island Park.

Slide B72-C72

You may choose to visit the Garden of Stars where there will be entertainment for the youngsters in the morning and afternoon, teen-age dancing before dinner, or popular entertainment in the evening. Teenagers may participate in the programme of the International Youth Pavilion.

Slide B73 - C73

While mother shops in the International Carrefour or at "Le Village"

Slide B74 - C74 Father may explore old Fort Edmonton or relax in front of one of the several bandshells.

Slide B74a - C75

You may eat at a hot-dog stand or at one of the more sophisticated restaurants before you watch the water shows, fireworks and fountains or participate in the street dancing. As the day comes to a close, you may choose a programme from the performing arts festival based on the theatre complex at

Slide A8 - B75 - C76 Place des Arts in the centre of the city—only a few minutes by subway from the Exhibition. Here, from all over the world will be a 183-day programme of opera, ballet, symphony, drama and dance. This one section of the programme will, in my opinion, make Expo 67 outstanding. How long will it take you to see it all? I am afraid the answer is (as with all world exhibitions) that to see it all including the constantly-changing programme, you will have to stay for the whole six months. But you will find it a most rewarding experience if you spend only the four to ten days that you are now thinking of for your visit to Expo 67. It is a tremendous project—but for your comfort

Slide B76 - C77 this is what the New York World's Fair looked like fifteen months before opening.

On June 30, 1964, with two years and ten months to go, the City of Montreal handed over the site to the Exhibition Corporation. The site was undeveloped. Water, sewer, power, roads, grading and landscaping all had to be done before the pavilions could be built. The St. Lawrence had to be bridged through swift, deep water and the Lemoyne Channel had to be bridged three times. By comparison, the preceding official World Exhibition was built on an existing Exhibition site in Brussels.—And Brussels was selected by the Bureau for the 1958 Exhibition in 1948. The Belgian Commissioner General was selected seven years before opening.

The New York World's Fair was located on the site of the 1939-1940 Fair and the Corporation was set up to use that site four years and eight months before opening.

CONTROLS

At the outset, systems of control were set up to ensure that the money entrusted to the Corporation would be carefully spent:

all contracts over \$100,000 receive the prior approval of our Board of Directors (or Executive Committee) which meet at least three times a month. All contracts under \$100,000 can be authorized by the Commissioner General, the Deputy Commissioner General and the General Manager. Contracts under \$10,000 can be authorized at Department Head level. In practice, these administrative approval authorities are seldom used. All purchases and contracts which are let on the basis of administration approval are reported at the next meeting of the Directors.

detailed financial statements are presented for the approval of the Directors monthly and to the Governments quarterly.

all contracts and purchases over \$100,000 receive the prior approval of the Treasury Boards and the Governor in Council.

In general, purchasing is through an experienced and long established Federal agency: the purchasing branch of the Department of Defence Production.

- tender calls for capital items are handled through an experienced and long established agency: Defence Construction (1951) Ltd.
- business procedures are outlined in a manual prepared under the guidance of appropriate federal and provincial officials and in general are based on the procedures of the Department of Defence Production.
- the organization chart, establishment and salaries have been carefully prepared and checked by the two civil service commissions, they have been approved by our Board of Directors, the two Treasury Boards, the Governor in Council and the Lt. Governor in Council.
- expense accounts are controlled by the detailed procedures manual, based on the practices of the Government of Canada and the Government of the Province of Quebec. Expense accounts are checked by Department Heads, the Corporation's Controller and by the internal auditor.
- financial transactions are audited by the internal auditor and the Auditor General of Canada and by the Quebec Provincial Auditor.
- contracts are audited on behalf of the Corporation by the Audit Services Branch of the Department of Finance, except in special rare cases.
- the Corporation follows the practice of the governments in the calling of publicly advertised lump sum tenders.

There is also a firm rule that any suggestion of wrong doing that is brought to the attention of any employee of Expo '67 is immediately handed to the police through the Head of the Security Branch, Mr. J. H. T. Poudrette, who was a senior officer of the RCMP before he was loaned to the Exhibition Corporation.

May 31, 1966

ESTIMATES

The Corporation believes that a world exhibition to succeed must be of high quality and that this is even more important when the world exhibition is the focal point of Canada's Centennial celebrations. Not only must it be educational and entertaining in order to meet the requirements of good exhibiting but, in addition, it must be fun. It must maintain a high degree of showmanship in the pavilions, in the exhibits and in the programme.

The Advisory Committee on Architecture, the consulting architects, the Chief Architect and his staff have done an outstanding job of building showmanship into the buildings themselves. The engineering consultants and contractors have met the challenge with skill. Government and private participants from all over the world have entered into the spirit provided by this leadership, and many of the pavilions under construction show remarkable originality and showmanship. In brief, the installations on the Expo site are themselves exhibits. There are several major examples:

"Habitat 67" is a part of the theme "Man and the Community". It is of a most unusual and difficult design which was developed to stir the imagination of architects, when considering urban development, and as

the lasting monument of Expo 67. The first of these two objectives has been achieved as there has already been worldwide interest. Discussion of the design—the overwhelming majority of which has been favourable—has been vigorous. This was exactly the objective and exactly what should be achieved at a world exhibition.

The theme buildings are likewise most unusual in their design, in that they suggest that structures might, in the future, be built by a system of structural steel building blocks which can be put together in many different combinations, like bricks, to achieve the desired building shape. Here again, engineers and architects are engaged in interesting debates on the merits of the design.

The two main bridges which join sections of the Exhibition are of unusual designs although in this case originality was ruled out by the need to complete these bridges to provide access for construction materials during the heavy pavilion-building period. Nevertheless, any who see these bridges in their completed form today would be intrigued by their unusual and slender appearance.

The primary and secondary transportation systems are both exhibits. Both contain features never before seen in this Continent.

The amusement area permits the visitor to escape from the atmosphere of pavilions and educational exhibits to an area of relaxed and delightful entertainment. Here again, a great deal of thought has been given to showmanship. Showmanship in an amusement park is not synonymous with noise and, therefore, the Corporation has created a delightful family fun area where the visitor may watch fireworks, fountains and water shows or may enjoy rides, street dancing and the aquarium.

Finally, the program includes a major performing arts programme. The visitor may enjoy cultural and light entertainment, spectaculars and sporting events. As an assist to Centennial celebrations elsewhere in Canada, the Corporation has offered to arrange the booking of performing arts groups for other centres. The coordination is handled by the Centennial Commission.

The above are examples of the basic policy that Expo 67 must be of high quality and contain a high degree of showmanship, if it is to meet the heavy responsibility for success which the Canadian public has the right to expect.

In the estimates submitted on December 20, 1963, with the Master Plan it was assumed that because this type of Exhibition had never before been staged in North America, because of the influence of the New York World's Fair and because of the normal modesty of the Canadian with respect to his own ability, the Corporation itself would be required to produce a certain basic trend setting exhibits to encourage support for the Exhibition among exhibitors and sponsors and to influence exhibitors to adopt standards of high quality. These are the theme pavilions. They are also the "International Pavilions" common to previous world exhibitions.

A number of other items were included in the Master Plan without the provision of funds, on the basis that sponsorship or concessionaires would come forward before the work began. These included, for example, the stadium, the theatre, Habitat 67, the Youth pavilion, the Broadcast Centre, the secondary

transportation system and the La Ronde amusement area. It was also assumed in the original estimates that every national and private pavilion would be built by the exhibitor concerned.

From the surveys and the experience of other exhibitions general revenues were estimated on the basis of a total of 30,000,000 admissions and a return of \$7.24 of revenue per visit to the Exhibition Corporation and its concessionaires. Finally, it was estimated that if the Brussels World Exhibition was able to obtain participation by 45 nations, Expo 67 should set 50 nations as the target.

Estimates of cost include some uncertainties particularly with respect to the actual site operations during the Exhibition where there is no background of Canadian experience. Nevertheless, cost estimates are relatively easy to prepare, and the experience of the Corporation on individual capital items actually let has so far been very good.

Revenue estimates on the other hand are more difficult in that they are highly sensitive to public opinion. We have, therefore, attempted to be conservative. For example, our surveys indicated that we could expect between 26 million and 45 million admissions. We selected 30,000,000 admissions, this being the nearest round figure to the bottom of the scale. It is too early to suggest that these figures be revised upwards, although so far the interest in our advance admission sales program has been most gratifying. The advance ticket sales program was initiated in December of 1965, and already we have received requests from retailers and distributors for approximately \$18,000,000 of passports.

It should be emphasized again that a successful Exhibition will result in a huge profit to Canada from coast to coast, and that the net cost to the Canadian taxpayer will be zero in that direct taxes created by spendings on the site will be more than the net cost of the Exhibition Corporation operation. Based on the above policies and experience to date, the following is a statement of the development of the estimates.

	(in \$000's)		
	Expenditures	Revenue	Net Cost
	\$	\$	\$
Estimate of December 20, 1963	167,147	119,613	47,534
Sponsorship was slow, a situation aggravated by the New York World's Fair. The New York experience also encouraged prospective sponsors to request that the Corporation undertake the work in return for a lump sum payment. Other sponsors took this same attitude for the reason that they felt there was not sufficient time for themselves, with their existing design and construction facilities and skill, to perform the work. For all these reasons and as the deadlines for design or construction arrived, the Corporation took several projects into its own cost—Appendix F attached . . .	22,693	24,730	(2,037)

	(in \$000's)		
	Expenditures	Revenue	Net Cost
	\$	\$	\$
In addition, in order to meet schedules or to compensate for changes in policy as experience grew, certain projects were undertaken which it had originally been assumed would be designed, built and operated by concessionaires or other commercial interests—Appendix G attached	30,720	18,627	12,093
The amusement area was also taken into costs because it became obvious that general designs would have to be very well advanced before concessionaires could consider their position which, when added to the normal cautions described above, would jeopardize schedules. In addition, it became obvious that St. Helen's Island would, in all probability, be a good location for a permanent, high quality amusement park. The City of Montreal offered to purchase the bulk of these installations after the Exhibition at the demonstrated economic value. Appendix H attached	40,474	52,359	(11,885)
A number of developing nations expressed a desire to participate in the Exhibition but did not feel that they could afford to build their own pavilions. The Corporation, therefore, undertook to build, on their behalf, complexes of architecturally similar small pavilions, grouped to represent geographical areas. These will now be sold to the participating nations at cost	1,855	1,855	
Economic studies indicated that because of its location, a better net result would be obtained, if the Corporation built a permanent Administration & News Building for sale after the Exhibition, rather than build a temporary building for demolition after the Exhibition. Appendix I attached	4,222	5,932	(1,710)

	(in \$000's)		
	Expenditures	Revenue	Net Cost
	\$	\$	\$
Instead of the anticipated 50 national participations, there have so far been announcements from over 70 nations. It was necessary therefore, to increase the area to be occupied by pavilions and to develop these sites with services and associated facilities. At the same time it was decided to provide sufficient lots for all comers and to include in the estimates for the landscaping of any such lots that might be left over. Because the pavilion areas became very extensive and because of the river setting, the danger of monotony was relieved by providing a series of canals and lakes in the Ile Notre Dame and Ile Verte areas. Appendix J attached	7,835	3,851	3,984
It was necessary to add sewage treatment plants to comply with new laws in the Province of Quebec. Certain exhibitors required gas services for their exhibits and restaurants which had not been previously provided and the Corporation was obliged under B.I.E. regulations to instal these	2,896	953	1,943
Certain items were underestimated due to the lack of knowledge of detailed requirements at the time the original estimates were prepared. These increases were offset to some extent by omission of certain projects. Appendix K attached	5,902		5,902
Finally, it was feared that in the final year of construction there might be escalation in cases where time would not permit redesign. This escalation might arise from increases in either design or construction costs. The submission of changes in the estimates for approval on a piece meal basis, would delay the work. The estimates, therefore, include an overall contingency of 3% of total cost	9,000		9,000

	(in \$000's)		
	Expenditures	Revenue	Net Cost
	\$	\$	\$
As detailed planning proceeded it became evident that the theme pavilions would be temporary rather than permanent, as originally estimated, with a consequent loss of asset values. Additions also had to be made for operating costs. This was to be offset by a sponsorship program for theme exhibits. Appendix L attached	2,720	2,970	(250)
It became apparent that sponsorship is possible for many miscellaneous items such as site furniture, landscaping, etc, Appendix M attached		7,412	(7,412)
Operating Cost Estimates increases are more than offset by corresponding increases in revenues and sponsorship as indicated below:			
The World Festival of the Performing Arts was carried at a net figure in the original estimates on the basis that most of the costs would be offset by revenues. To clear the books and to conform with our approval procedures, both the cost and the revenue have now been included in the estimates	5,589	5,677	(88)
It became apparent that sponsorship is possible for guides and hostesses although this was not carried in the original estimates	291	1,605	(1,314)
Operating Services such as administrative and audit services for proper control of revenues to be derived from concessions were under estimated. A small part of this item is estimated to be offset by sponsorship	1,063	205	858
Original estimates assumed revenues from the mass transportation system on a concession basis. Now the cost of admission to the site has been increased to include free use of this system and CCWE will operate the system and receive the full revenue	1,150	4,600	(3,450)

Miscellaneous adjustments to operating cost and revenues to accommodate sundry projects	(1,026)	(199)	(827)
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The Administrative cost estimates have risen in proportion to the increased load assumed by the Corporation. In the December 20, 1963 estimate, Administration costs were 13.6% of the total other expenditures and in the current estimates this percentage relationship is 13.75%. The relationship of Administration expenditures to total other expenditures for l'Exposition Universelle et Internationale de Bruxelles and for the New York World's Fair were 20% and 28% respectively

	14,017	14,017
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Increased office services resulting	985	985
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The Federal Labour Act of July 1st, 1966 resulted in changes to our labour conditions and benefits	137	137
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In addition to that, the temporary nature of the Exhibition Corporation could result in our losing much needed staff towards the end of the life of the Exhibition Corporation and we therefore included in our union negotiations incentives to ensure continuous employment

	1,956	1,956
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Finally, we were glad to install a union shop in the Corporation in response to labour's gesture of guaranteeing labour peace. We are satisfied that this arrangement will result in overall savings in time and money. The negotiations with the union resulted in increased cost of

	469	469
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The Corporation felt that net economies would result if we were to use existing established government agencies wherever possible rather than attempting to set up such organizations starting from scratch. We therefore

retained the services of the Audits Services Branch of the Department of Finance for the auditing of Consultants and Contractors, the Purchasing Branch of the Department of Defence Production to assist with general purchasing, Defence Construction (1951) Limited to assist with the purchasing of consultants' and Contractors' services and National Employment Service, the Quebec Employment Service and Personnel Department of the City of Montreal to assist in meeting staff requirements. In addition, our demand on committees became so heavy that we were obliged to meet their expenses and in some cases pay retainers, and provide translation services				2,679		2,679
The Public Relations estimates were underestimated				7,072		7,072
Financing Charges are revised and based on actual cash requirements necessitated by increases shown above				3,000		3,000
Total				332,846	250,190	82,656

Schedule A

CANADIAN CORPORATION FOR THE 1967 WORLD EXHIBITION
ESTIMATE OF TAX REVENUES FROM ON SITE ACTIVITIES

Total Tax

1. CCWE

Capital:

Sales Tax:

\$211,000,000 at (11%) effective rate 7% Fed.	\$14,770,000
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Operating:

Sales Tax:

20% of \$23,000,000 = \$4,600,000 at 11% Fed.	506,000
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Personal Income Tax:

\$34,000,000 wages at 20% inc. tax	6,800,000
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Administration:

Sales Tax:

Supplies and materials \$940,000 at 11% Fed.	103,000
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Personal Income Tax:

\$27,489,000 salaries at 20% inc. tax	5,498,000
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Public Relations:

Sales Tax:

Printing, photos, etc. \$8,000,000 at 11% Fed.	880,000
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2. PRIVATE EXHIBITORS

Capital:

Sales Tax:

Canada and the Provinces: \$27,500,000 at 7% Fed.	1,925,000
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Industrial and Others: \$85,000,000 at 7% Fed. and 4% Prov.	9,350,000
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Operating:

Sales Tax:

20% of \$16,875,000 = \$3,375,000 at 11% Fed. and 6% Prov.	574,000
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Personal Income Tax:

\$16,875,000 salaries and wages at 20% inc. tax	3,375,000
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3. FOREIGN EXHIBITORS

Capital:

Sales Tax:

\$150,000,000—Exempted	
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Operating:

Personal Income Tax:

\$15,000,000 salaries and wages at 16.5% inc. tax ..	2,475,000
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CANADIAN CORPORATION FOR THE 1967 WORLD EXHIBITION
ESTIMATE OF TAX REVENUES FROM ON SITE ACTIVITIES

Total Tax

4. CONSTRUCTION COMPANIES

Profit Tax:

Sales \$473,500,000 x 10% = \$47,350,000 taxable income	24,622,000
Personal Income Tax:	
\$149,153,000 salaries and wages at 20% inc. tax	29,831,000

5. CONCESSIONAIRES

Food and Drink:

Sales Tax:	
\$60,000,000 taxable sales at 6%	3,600,000
Profit Tax:	
\$72,100,000 sales x 4% = \$2,884,000 taxable income	1,500,000
Personal Income Tax:	
\$23,533,000 salaries and wages at 18% inc. tax	4,236,000
Excise Tax on Liquor:	
\$14,400,000 at 75%	10,800,000
Excise Tax on Cigarettes:	
\$12,000,000 at 59%	7,086,000

Non-Food:

Sales Tax:	
\$37,200,000 taxable sales at 6%	2,232,000
Profit Tax:	
\$35,111,000 sales x 20% = \$7,022,000 taxable income	3,650,000
Personal Income Tax:	
\$7,022,000 salaries and wages at 18% inc. tax	1,264,000

Rides and Amusements:

Intertainment Tax:	
\$30,500,000 at 10%	3,050,000
Profit Tax:	
\$7,947,000 sales x 20% = \$1,589,000 taxable income	830,000
Personal Income Tax:	
\$1,907,000 salaries and wages at 20% inc. tax	381,000

Parking Lots:

Profit Tax:	
\$2,361,000 taxable income	1,227,000
Personal Income Tax:	
\$900,000 salaries and wages at 18% inc. tax	162,000

CANADIAN CORPORATION FOR THE 1967 WORLD EXHIBITION
ESTIMATE OF TAX REVENUES FROM ON SITE ACTIVITIES

	Total Tax
Sundry:	
Profit Tax:	
\$3,000,000 sales x 20% = \$600,000 taxable income	312,000
\$360,000 salaries and wages at 18% inc. tax	65,000
6. PERFORMING ARTS	
Entertainment Tax:	
\$8,680,000 at 10%	868,000
Profit Tax and/or Personal Income Tax:	
\$1,131,000 at 17.5%	198,000
Total Tax Revenue	<u>\$142,170,000</u>

NOTE:—This total of \$142,170,000 is divided between the Federal Government and Provincial Government including the City of Montreal as follows:

Federal	\$ 90,743,000
Provincial	51,427,000
Total	<u>\$142,170,000</u>

SCHEDULE "C"
16 March 1966.C.—COMPARATIVE GOVERNMENTAL EXPENDITURES
(in \$ 000's)

Item	Total	Federal Government	Provincial Government	City of Montreal	Remarks
	\$	\$	\$	\$	
C.C.W.E. Deficit.....	82,656	41,328	30,996	10,332	
Participation.....	29,000	21,000	7,000	1,000	
N.H.B.—Mackay Pier Modifications.....	10,000	10,000	—	—	
University Street Extension.....	22,000	17,000	—	5,000	
Ice Boom.....	16,800	14,300	—	2,500	
C.B.C.....	10,000	10,000	—	—	
La Grande Hermine.....	375	375	—	—	
Construction of Islands.....	30,000	—	—	30,000	
Subway Extension to South Shore.....	25,000	—	—	25,000	
Access Roads (accelerated portion).....	150,000*	30,000*	110,000*	10,000*	*Estimated
TOTALS.....	375,831	144,003	147,996	83,832	
Transfer: Federal revenue derived from Province.....	—	(6,912)	6,912	—	4.8%
Federal revenue derived from City.....	—	(35,857)	—	35,857	24.9%
Provincial revenue derived from City.....	—	—	(122,393)	122,393	82.7%
Cost to Respective Tax Payers.....	375,831	101,324	32,515	242,082	
Per Capita Cost.....	18.79	6.75	10.84	121.04	

* Cost to tax payers other than Province of Quebec, City of Montreal.

PARTICIPATION IN THE UNIVERSAL AND INTERNATIONAL EXHIBITION OF 1967

SCHEDULE D

Information Services, Expo 67

Canadian Corporation for the 1967 World Exhibition,
Place Ville-Marie, Montréal, Canada.
Telephone: Montréal 357-8720 (J. A. Henderson)

- 1—Nations
2—International Governmental Organizations
3—Canadian Provinces
4—Individual State participation (U.S.A.)
5—Municipal participation

PART-1

Amended to March 31, 1966.
Replacing list dated February 4, 1966.

PARTICIPANT		COMMISSIONER GENERAL OF SECTION	LIAISON OTHER THAN COMMISSIONER GENERAL OF SECTION	ARCHITECTS a. Principal b. Canadian Associate
a. Date of Commitment				
b. Location of Pavilion				
c. Lot No.				
d. Area of lot				
e. Liaison officer				
f. Telephone number				
1. CANADA		H. Leslie Brown, Canadian Government Participation —1967 World Exhibition, Sir Alexander Campbell Building, Ottawa, Canada. Tel.: Ottawa 937-4163.	<i>Creative Director:</i> Thomas C. Wood, Canadian Government Participation —1967 World Exhibition, Sir Alexander Campbell Building, Ottawa, Canada. Tel.: Ottawa 937-4753.	a. Ashworth, Robbie, Vaughan & Williams Schoeler and Barkham, Z. Matthew Stankiewicz, 157 Gilmour Street, Ottawa 4, Canada Tel.: Ottawa 233-2855. <i>Site Co-ordinator:</i> A. R. Haywood, Canadian Government Pavilion Site, Île Notre-Dame, Montréal, Canada. Tel.: Montréal 527-9253.
2. BRITAIN		Lt. Gen. Sir William Oliver, C.B.E., K.C.B., K.C.M.G., D.L., Central Office of Information, Hercules Road, London, SE 1, England. <i>Deputy Commissioner General:</i> Arnold Heekle, C.M.G., British Trade Commissioner, 635 Dorchester Blvd. West, Montréal, Canada Tel.: Montréal 806-5863.	<i>Deputy Commissioner General and liaison in London:</i> D. F. Kerr, C.V.O., O.B.E., Controller (Over- seas), Central Office of Information, Hercules Road, London, SE 1, England. <i>Liaison in Montréal:</i> Paul Henderson Scott, Secretary-General, c/o British Government Offices, 635, Dorchester Boulevard West, Montréal, Canada. <i>Liaison in London:</i> E. T. W. Swaine, M.B.E., Director Exhibitions Division Central Office of Information, St. Christopher House Annexe, Sumner Street, London, SE 1, England.	a. Sir Basil Spence, O.M. Bonington & Collins, Adam House One Fitzroy Square, London, England. b. Bland, Lemoine, Edwards, Shine, 550 Sherbrooke Street West, Montréal, Canada. Tel.: Montréal 842-8697
3. BELGIUM		H. E. Jan-Albert Goris, 48-50 Adolphe Max Boulevard, Brussels 1, Belgium. <i>Deputy Commissioner General:</i> Baron Patrick Nollomb, Same address as Commissioner General.	<i>Administrative Director:</i> Miss Agnès Clarysse, 48-50 Adolphe Max Boulevard, Brussels 1, Belgium.	a. René Stapels, 244 Franklin Roosevelt Avenue, District No. 5, Brussels, Belgium. b. George F. Eber, 1164 Sun Life Building Montréal, Canada. Tel.: Montréal 866-8691.
4. FRANCE		Robert Rordaz, Centre National du commerce extérieur, 10, avenue de la République, Paris (XIV), France. <i>Deputy Commissioner General:</i> André Moncel-Brze, Same address as Commissioner General.	<i>Secretary General:</i> Serge Renard, Same address as Commissioner General. * <i>Permanent Liaison in Montréal:</i> Yves Plattard, Commercial Counsellor for France, 2000 rue Mackay, Montréal, Canada. Tel.: Montréal 937-9155.	a. J. Faugeron, 26 rue Fabert, Paris (VII), France. b. André Blouin, 640 Cathcart Street, Room 302, Montréal, Canada. Tel.: Montréal 861-3693

5. MOROCCO a. December 16, 1963 b. Ile Notre-Dame c. Details pending d. Details pending e. J. Dansereau f. 397-8924	H. F. Simon Hendrik Visser, 3 J. W. Frisoan, The Hague, Netherlands, The Hague, Netherlands. Tel.: The Hague 54-4440 Cable address: Expomont, The Hague. Deputy Commissioner General: Dr. Hendrik de Nèrfe tot Balberich, General Manager, Netherlands Foundation for the 1967 World Exhibition. Same address as Commissioner General	<i>Permanent Liaison in Montréal:</i> * J. A. E. van Alphen, 1 Place Ville-Marie, Suite 1736, Montréal, Canada. Tel.: Montréal 861-8391 <i>Administrative Director:</i> Mrs. M. L. Verstijnen, Same address as Commissioner General.	a. Eijkelenboom & Middelboek, Architects, 69 Wijnhaven, Rotterdam, Netherlands. b. George F. Eber, 1164 Sun Life Building, Montréal, Canada. Tel.: Montréal 866-8691.
6. NETHERLANDS a. February 4, 1964 b. Ile Sainte-Hélène c. Lot No. 3090 d. 37,937 ft. ² , 3,524 m. ² e. V. Gendron f. 397-3880	Manfred Mautner-Markhof, Geobaufstelle fuer die Weltausstellung Montréal 1967 Hoher Markt 3, Vienna 1, Austria. Cable address: WIFIB UKA Vienna Telex: 07-4235	<i>Liaison in Vienna:</i> Institute for Economic Development of the Austrian Federal Economic Chamber, Hoher Markt 3, Vienna 1, Austria. <i>Liaison in Montréal:</i> Dr. F. Hlawati, Austrian Trade Delegate, 630 Dorchester Blvd. West, Montréal, Canada. Tel.: Montréal 866-1103.	a. Prof. Dr. Karl Schwanzer, Hoher Markt 3, Wien 1, Telefon 63 57 63 Serie, Telegramme Wifibuka, Fernschreiber 07-4235. b. Henri S. Labelle, Labelle, Labelle & Marchand, 4300 Jean-Talon Street West, Montréal 9, Canada. Tel.: Montréal 733-2721
7. AUSTRIA a. February 13, 1964 b. Ile-Sainte-Hélène c. Lot No. 3060 d. 37,902 ft. ² , 3,527 m. ² e. R. A. Lamarte f. 397-7991	Dr. Peter von Siemens, Siemens & Halske, A.G., Wittelsbacher Platz 2, Munich 2, Federal Republic of Germany. Telex number 05-23121 <i>Deputy Commissioner General:</i> Dr. Kurt Daniel, Koblenzerstrasse 235, 53 Bonn, Federal Republic of Germany.	<i>Liaison in Canada:</i> Consulate General of Germany, 1501 McGregor Avenue, Montréal, Canada. Tel.: Montréal 932-1112 <i>Liaison for all matters concerning construction:</i> <i>Berlin:</i> Bundesbaudirektion Berlin Berlin 12, Fasanenstrasse 87, Federal Republic of Germany. Tel.: Berlin 32-5271. <i>Montréal:</i> Office of the Commissioner General of Germany for Expo 67, Bank of Commerce Building, 1155 Dorchester Blvd. West, Suite 3102, Montréal, Canada. Tel.: Montréal 860-8377.	a. Prof. Rolf Gutbrod, Stuttgart, N. Salcedostrasse 10, Stuttgart, Federal Republic of Germany. Tel.: Stuttgart 39-88-81 b. Prof. Frei Otto, Turkisenweg 5, West Berlin 37, Federal Republic of Germany. c. O. Tarkowski and George F. Eber, 1164 Sun Life Building, Montréal, Canada. Tel.: Montréal 866-8691.
8. FEDERAL REPUBLIC OF GERMANY a. February 18, 1964 b. Ile Notre-Dame c. Lot No. 4190 d. 104,716 ft. ² , 9,728 m. ² e. Lot No. 4194 f. 11,106 ft. ² , 1,032 m. ² g. R. A. Lamarte f. 397-7991	Dr. Manuel Silveira, Commissioner General, c/o Ministerio de Fomento, Torres de Bolívar, Edificio Sur, Caracas, Venezuela. Coordinator: Guillermo García Méndez, Same address as Commissioner General	Antonio Barrera Melendez, c/o Ministerio de Fomento, Torres de Bolívar, Edificio Sur, Caracas, Venezuela.	
9. VENEZUELA a. May 4, 1964 b. Ile Notre-Dame c. Lot No. 4300 d. 27,611 ft. ² , 2,512 m. ² e. Miss M. Choquet f. 397-7878			

Requests copies of correspondence addressed to Commissioner General of section
61-7-Eng.-Fr. Rev. March 31, 1966 L.S. No. 1
* Requests copies of correspondence addressed to Commissioner General of section.

SCHEDULE D (Cont'd)

NATIONAL PARTICIPATION

PARTICIPANT	NATIONAL PARTICIPATION		ARCHITECTS a. Principal b. Canadian Associate
	COMMISSIONER GENERAL OF SECTION	LIAISON OTHER THAN COMMISSIONER GENERAL OF SECTION	
a. Date of Commitment b. Location of Pavilion c. Lot No. d. Area of lot e. Liaison officer f. Telephone Number	COMMISSIONER GENERAL OF SECTION	LIAISON OTHER THAN COMMISSIONER GENERAL OF SECTION	ARCHITECTS a. Principal b. Canadian Associate
10. ISRAEL a. May 28, 1964 b. Le Notre-Dame c. Lot No. 3320 d. 46,845 ft. ² , 3,333 m. ² e. R. A. Lamurre f. 397-7791	Yacov Yannai, 9 Itamar Ben Avi Street, Tel-Aviv, Israel, Tel.: Tel-Aviv 22 0174. Cable address: Menrosi, Tel-Aviv. <i>Deputy Commissioner General:</i> Zvi Harry Zander, Same address as Commissioner General.	<i>Liaison in Canada:</i> Col. Dov Sinai, Consul General of Israel, 1555 McGregor Avenue, Montréal, Canada. Tel.: Montréal 957-3937	a. A. Sharon, D. Reznik and E. Sharon, Office of the Commissioner General, 9 Itamar, Ben Avi Street, Tel-Aviv, Israel. b. Rosen, Caruso & Veesei, 5485 Sherbrooke Street West, Montréal, Canada. Tel.: Montréal 481-5632.
11. IRAN a. June 16, 1964 b. Le Sainte-Hélène c. Lot No. 3155 d. 35,000 ft. ² , 3,252 m. ² e. W. N. A. Chipman f. 397-7718	H. E. Nouredin Kia, Ambassador Imperial Embassy of Iran, Apt. 502, 1160 Southwingham, 88 Range Road, Scarborough, Canada. Tel.: Ottawa 235-7821.	Eng. Ali Dibadi, Deputy Commissioner General and Head of Operations, P.O. Box 1803, Tehran, Iran.	a. Abdul Aziz Farmanfarmaian, 118 Kach Ave., Tehran, Iran. b. Farviz Mosayyeh-Ahd, Meaplan, 4 Italia Ave., Tehran, Iran. c. George Eber, 1104 Sun Life Building, Montréal, Canada. Tel.: Montréal 896-8691.
12. SWEDEN a. June 19, 1964 b. Le Sainte-Hélène c. Lot No. 3320 d. 67,456 ft. ² , 6,266 m. ²	Folke Claesson, Sweden Office, Skäringsvägen 18, Stockholm No. 2, Sweden. Cable address: Svenskepo, Stockholm.		a. Gustaf Lettström, Jämégatan 18, Stockholm, Sweden. b. R. V. Chadwick and G. Bennett Pope, 1980 Sherbrooke St. West, Montréal, Canada Tel.: Montréal 397-9115.
13. FINLAND* a. June 19, 1964 b. Le Sainte-Hélène c. Lot No. 3320 d. 67,456 ft. ² , 6,266 m. ²	Olli Herold, Finland Office, Mannerheimintie 17, Helsinki, Finland. Tel.: Helsinki 44 00 11. Cable address: Finnexpo, Helsinki. Telex: 12-1119 Finnexpo	<i>Liaison in Montréal:</i> Jasse Oksa, Trade Commissioner, Consulate of Finland, Commercial Section, Suite 1114, Dominion Square Building, Montréal, Canada, Tel.: Montréal 866-2202.	a. Jaakko Paatela, Kadettinkatu 11, Helsinki 33, Finland. b. See Sweden.
14. DENMARK* a. June 19, 1964 b. Le Sainte-Hélène c. Lot No. 3320 d. 67,456 ft. ² , 6,266 m. ² e. R. A. Lamurre f. 397-7791	Povl Boelting, Denmark Office, H. C. Andersens Boulevard 18, Copenhagen V, Denmark. Cable address: <i>Expocomite, Copenhagen.</i>	<i>Liaison in Montréal:</i> J. D. Scheel, Consul General of Denmark, Royal Danish Consulate General, Suite 1595, 1245 Sherbrooke Street West, Montréal 25, Canada, Tel.: Montréal 849-5391. Cable address: Dannebrog, Montréal.	a. Erik Herlow ad Tormod Olesen, H. C. Andersens Boulevard 19, Copenhagen V, Denmark. b. See Sweden.
15. MALAYSIA a. July 29, 1964 b. Le Notre-Dame c. Details pending d. Details pending e. W. N. A. Chipman f. 397-7718		Trade Division, Ministry of Commerce and Industry, Kuala Lumpur, Malaysia.	

16. UNITED STATES OF AMERICA a. July 30, 1964 b. 1500 ft. ² , 15,931 m. ² c. 171,486 ft. ² , 15,931 m. ² d. 171,486 ft. ² , 15,931 m. ² e. 397-7886	<i>Acting Commissioner General:</i> William L. Clark, United States Information Agency, Canadian World Exhibition, Montréal 1967, 1750 Pennsylvania Ave., N.W., Washington, D.C., 20547, U. S. A. <i>Assistant U. S. Commissioner General:</i> John J. Stocum. Same address as Acting Commissioner General	<i>**Roger A. Provancher,</i> Administrative Officer, Office of the U. S. Commissioner General, Canadian World Exhibition, Montréal 1967, United States Consulate General, 1558 McGregor Ave., Montréal, Canada. Tel.: Montréal 937-6301, Ext. 58.	a. R. Buckminster Fuller, Fuller & Sideo, Inc., and Geometrics Inc., —Associate Architects, Geometrics Inc., Project Supervisor Cambridge 38, Mass. Tel.: 617-491-4573. b. John B. and John C. Parkin, 38th Floor, Room 3819, Place Ville-Marie, Montréal, Canada.
17. CEYLON a. August 15, 1964 b. 1500 ft. ² , 1390 m. ² c. 1500 ft. ² , 1390 m. ² d. 1500 ft. ² , 1390 m. ² e. 397-7718	V. A. J. Sauratne, Director of Commerce, Department of Commerce, Ministry of Trade and Supply, Calle Face Courts, Colombo, Ceylon.	<i>Liaison in Canada:</i> Office of the High Commissioner for Ceylon in Canada, 448 Daly Avenue, Ottawa, Canada.	a. V. Kandavel, Public Works Department, Colombo, Ceylon. b. C. R. M. Wood, 34 Riverbend Drive, Ottawa, Ontario, Canada. c. Archibald, Hilslev & Templeton, 1440 St. Catherine Street West, Montréal, Canada. Tel.: Mtl. 866-6986.
18. REPUBLIC OF CHINA (TAIWAN-NATIONALIST CHINA) a. August 25, 1964 b. 1500 ft. ² , 1390 m. ² c. 1500 ft. ² , 1390 m. ² d. 1500 ft. ² , 1390 m. ² e. 397-7886	Tse-Yen Tung, 21 Paotching Road, Taipei, Taiwan, The Republic of China.	Peh-Yuan Hsu, President, Foreign Exchange and Trade Commission, Governor of the Central Bank of China, Taipei, Taiwan, The Republic of China.	a. C. C. Yang, c/o 21 Paotching Road, Taipei, Taiwan, The Republic of China. b. J. Katnick, c/o Ian Martin, Arch. 1374 Sherbrooke Street West, Montréal, Canada.
19. JAMAICA a. August 21, 1964 b. 1500 ft. ² , 1390 m. ² c. 1500 ft. ² , 1390 m. ² d. 1500 ft. ² , 1390 m. ² e. 397-7718	J. Cecil Abrahams, Ministry of Trade and Industry, 150 East Street, South Race Course, Kingston, Jamaica.	<i>Inquiries and offers from suppliers:</i> Bryan-Elliott Limited, 2015 Drummond Street, Suite 710, Montréal 25, Canada. Tel.: Montréal 844-4711.	b. George F. Eber, 1164 Sun Life Building, Montréal, Canada. Tel.: Montréal 806-8691
20. MONACO a. September 1, 1964 b. 1500 ft. ² , 1390 m. ² c. 1500 ft. ² , 1390 m. ² d. 1500 ft. ² , 1390 m. ² e. 397-7886	Joseph Fisore, Government Consultant for Public Works and Social Relations, Government House, Principality of Monaco.	<i>*Deputy Commissioner General:</i> Michel Pasquin, Consul General of Monaco, Room 501, 31 James Street West, Montréal, Canada. Tel.: Montréal 842-1788	a. G. Gérin-Lajoie, Papineau, Gérin-Lajoie, LeBlanc, 3600 Van Horne Avenue, Montréal, Canada. Tel.: Montréal 342-0680.
21. ITALY a. September 16, 1964 b. 1500 ft. ² , 1390 m. ² c. 1500 ft. ² , 1390 m. ² d. 1500 ft. ² , 1390 m. ² e. 397-7886	His Exc. Francesco Babuscio Rizzo, Commissario Generale Italiano per l'Esposizione Universale 1967, Ministero Affari Esteri, (Direzione Generale Affari Economici) La Farnesina, Roma, Italia. <i>Deputy Commissioner General & Secretary General:</i> Giovanni Lucifora, Minister Plenipotentiary. Same address as Commissioner General	Elio Pizzo, Consul and Trade Commissioner for Italy, 1395 McDowell Street, Montréal, Canada. Tel.: Montréal 935-4583 Tel.: Montréal 935-3565	<i>a. Technical and Artistic Committee:</i> Messrs. G. Franci, C. Argan, B. Levi, V. F. Passerelli, Architects responsible for the implementation of the project: Messrs. A. Antonelli, M. Greco, P. Piro, S. Rossi. <i>Project Manager:</i> Edilteco (Canada) Ltd., 800 Victoria St., Suite 1825, Tel.: 878-9811 b. Messrs. Papineau, Gérin-Lajoie, LeBlanc, 3600 Van Horne Ave., Montréal, Canada. Tel.: Montréal 342-0680

* Combined Scandinavian Participation: Sweden, Finland, Denmark, Norway and Iceland.

** Requests copies of correspondence addressed to Commissioner General of section.

PARTICIPANT	COMMISSIONER GENERAL OF SECTION	LIAISON OTHER THAN COMMISSIONER GENERAL OF SECTION	ARCHITECTS	
			a. Principal	b. Canadian Associate
22. NORWAY*	Edward Mowinkel-Larsen, Norway Office, Drammensveien, Oslo 2, Norway.	<i>Liaison in Canada:</i> —Arthur M. Hansson, Consul General of Norway, Suite 2007, 1155 Dorchester Blvd. West, Montréal, Canada Tel.: Montréal 861-5532.	a. Otto Torgersen, Norwegian State Fair, Drammensveien 151, Skoyen, Oslo 2, Norway. b. See Sweden.	
23. ICELAND*	Gunnar J. Fridriksson, Iceland Office, Nylandsgata 10, Reykjavik, Iceland.	<i>Deputy Commissioner General:</i> — J. Fridriksson, 4364 Metrose Avenue, Montréal, Canada. Tel.: Montréal 481-8944	a. Skarphedin Johansson, Nylandsgata 10, Reykjavik, Iceland. b. See Sweden.	
24. CZECHOSLOVAKIA	Miroslav Galuska, Valdsteinske Namesti, Prague 1, Czechoslovakia. <i>Deputy Commissioner General:</i> Vladimír Štěpánek, Same address as Commissioner General.	<i>General Manager:</i> — Zdeněk Koudelka, Valdsteinske Namesti, Prague 1, Czechoslovakia.	a. Miroslav Repa, Baldsteinske Namesti, Prague 1, Czechoslovakia. b. Jean A. Gélinas, 1005 Sherbrooke Street West, Montréal, Canada. Tel.: Montréal 849-9485.	
25. JAPAN	Kogoro Uemura c/o Japan External Trade Organization, Kokusai Kanko Kaikan Building, Ichome, Marunouchi, Chiyoda-ku, Tokyo, Japan.	<i>Deputy Commissioner General:</i> — Yoshitsugu Kaneki, Consul General for Japan, 1155 Dorchester Blvd. West, Suite 2505, Montréal, Canada. Tel.: Montréal 866-1351. <i>Liaison (adviser):</i> Tomihiro Kiyozawa, Executive Director, Japan External Trade Organization, 151 Bloor St. West, Toronto 5, Canada.	a. Dr. J. A. A. Yoshinobu Ashihara, Sumitomo-Seimei Building, 107 Owada-cho, Shibuya-Ku, Tokyo, Japan. b. Affleck, Desbarats, Dimakopoulos, Lebensold, Sise, 1 Place Ville-Marie, Montréal, Tel.: Montréal 878-9518.	
26. TUNISIA	Salah Benjenet, Commissioner General of Tunisia for the Universal and International Exhibition, Montréal, 1967, The Office of Commerce for Tunisia, 13, rue Sidi Bou Mendil Tunis, Tunisia.		a. Taib Haddad, Architect, D.E.S.A. 55, Maréchal Street, Tunis, Tunisia. b. André Blouin, 640 Cathcart Street, Room 302, Montréal, Canada. Tel.: Montréal 861-3693.	
27. SWITZERLAND	H. E. Victor Nef, 33 Templar Way, Summit, New Jersey, U.S.A. Tel.: Summit 201-273-6167. Deputy Commissioner General:—Roger Meizoz, Swiss Office for Commercial Expansion, Dreikoenigstrasse 8, Zurich, Switzerland.	<i>Liaison in Montréal:</i> Rouol Thiebaud, Consul General for Switzerland, 1572 McGregor Avenue, Montréal, Canada. Tel.: Montréal 932-7181.	a. Werner Gantenbein, Huttenstrasse 4, Zurich 6, Switzerland. b. George Banz, 477 Mount Pleasant Rd. Toronto 7, Canada. c. George F. Eber, 1164 Sun Life Building, Montréal, Canada. Tel.: Montréal 866-8691	

28. GHANA a. December 21, 1964 b. Ile Notre-Dame c. Lot No. 4280 d. 8,382 ft. ² , 779m. ² e. W. N. A. Chipman f. 397-7718		<i>Liaison in Ottawa:</i> H. E. S.P.O. Kumi, High Commissioner for Ghana Attention: H. A. A. Ankrab, Fuller Building, 75 Albert St. Ottawa, Canada, Tel.: Ottawa 236-0871. <i>Co-ordinator:</i> —J. A. Sittie, Principal Commercial Officer, Trade Fairs and Exhibitions, Ministry of Trade, P.O. Box M. 47, Accra, Ghana.	
29. TRINIDAD AND TOBAGO a. January 21, 1965 b. Ile Notre-Dame c. Lot No. 4231 d. 11,819 ft. ² , 1,098 m. ² e. W. N. A. Chipman f. 397-7718	C. R. Stollmeyer, Trade Commission for Trinidad and Tobago, 1210 Sherbrooke Street West, Suite 200, Montréal 2, Canada. Tel. Montréal 842-5521.	David Punch, Secretary, Expo Committee, Ministry of External Affairs, Port-of-Spain, Trinidad.	a. Peter Bynoe, Edward Street, Port-of-Spain, Trinidad. b. F. A. Dawson, 4342 Sherbrooke Street West, Montréal, Canada. Tel.: Mtl. 931-1788.
30. NIGER a. January 24, 1965 b. Ile Notre-Dame-African Place c. Part of lot 4255 d. 18,270 ft. ² , 1,697 m. ² e. K. L. Marshall f. 397-7778		Beroungue Courno, Minister of Finance and Economic Affairs, Niamey, Niger.	Principal Architect for African Place: John Andrews, 47 Colborne Street, Toronto 1, Canada, Tel.: Toronto 366-6334. C. C. W. E. Architect for the project: Ian J. Morton, Tel.: Montréal 397-3815
31. IVORY COAST a. January 24, 1965 b. Ile Notre-Dame-African Place c. Part of lot 4255 d. 18,270 ft. ² , 1,697 m. ² e. K. L. Marshall f. 397-7778	Pierre Billon, P.O. Box 4301, Abidjan, Ivory Coast.	<i>Liaison in Paris:</i> —Miss Jocelyne Etienne, Société Côte d'Ivoire—Aujourd'hui, 12 Montaigne Avenue, Paris 86, France. <i>Liaison in Washington:</i> —Jean R. Batigne, Commercial Counsellor, Embassy of the Ivory Coast, 2424 Massachusetts N.W., Washington D.C. 20008, U.S.A.	
32. UPPER VOLTA a. January 24, 1965 b. Ile Notre-Dame-African Place c. Part of lot 4255 d. 18,270 ft. ² , 1,697 m. ² e. K. L. Marshall f. 397-7778		S. Zerbo, Minister of Foreign Affairs, Ouagadougou, Republic of Upper Volta.	See entry for Niger (No. 30)
33. COLOMBIA a. February 22, 1965 b. Ile Sainte-Hélène c. Lot No. 3210 (part of lot) d. 25,621 ft. ² , 2,380 m. ² e. Miss M. Choquet f. 397-7853		H. E. M. Diego Calle Restrepo, Ambassador, Embassy of Colombia, Roxborough Apartments, Ottawa, Canada. Tel.: Ottawa 235-5803	

* Combined Scandinavian Participation:—Sweden, Finland, Denmark, Norway and Iceland.

NATIONAL PARTICIPATION			SCHEDULE D (cont'd)	
PARTICIPANT	COMMISSIONER GENERAL OF SECTION	LIAISON OTHER THAN COMMISSIONER GENERAL OF SECTION	ARCHITECTS a. Principal b. Canadian Associate	
a. Date of Commitment b. Location of Pavilion c. Lot No. d. Area of lot e. Liaison officer f. Telephone Number				
34. CAMEROON a. February 24, 1965 b. Ile Notre-Dame-African Place c. Part of lot 4254 d. 19,450 ft. ² , 1,808 m. ² e. K. L. Marshall f. 397-7778		Jérôme Mendouga, Chargé d'Affaires (a.i.) Embassy of Cameroun, 85 Range Road, Ottawa, Canada.	See entry for Niger (No. 30)	
35. BARBADOS* a. March 1, 1965 b. Ile Notre-Dame c. Lot No. 4100 d. 7,400 ft. ² , 687 m. ² e. W. N. A. Chipman f. 397-7718	Peter G. Morgan, P.O. Box 212, Bridgetown, Barbados, W.I.	<i>Inquiries and offers from suppliers:</i> Bryan-Elliott, Ltd., Suite 710, 2018 Drummond Street, Montréal 25, Canada. Tel.: Montréal 844-4717.	a. George F. Eber, 1164 Sun Life Building, Montréal, Canada. Tel.: Montréal 866-8691.	
36. THAILAND a. March 3, 1965 b. Ile Notre-Dame c. Lot No. 4052 d. 19,487 ft. ² , 1,810 m. ² e. G. Bannerman f. 397-7886	<i>Deputy Commissioner General:</i> **Sunga Sukhlabuk, Commercial Counsellor, Royal Thai Embassy, 20 East 82nd Street, New York 28, N.Y., U.S.A. G. Bannerman	<i>Liaison in Canada:</i> —**Dr. J. M. Besso, Consul General for Thailand, 1155 Dorchester Blvd. West, Montréal, Canada. Tel.: Montréal 866-8205 <i>Liaison in Montreal:</i> —**Col. M. L. Chuanchuen Kamblu, Director General, Ministry of Economic Affairs, Bangkok, Thailand.		
37. GUATEMALA a. March 5, 1965 b. Ile Sainte-Hélène c. Lot No. 3210 (part of lot) d. 25,621 ft. ² , 2,380 m. ² e. Miss M. Choquet f. 397-7878		Mario Fuentes Sproes, President, Permanent Committee for Exhibitions, Parque Centro America, Guatemala, C.A.		
38. U.S.S.R. a. March 8, 1965 b. Ile Notre-Dame c. Lot No. 4000 d. 172,215 ft. ² , 15,999 m. ² e. Mrs. O. Maxwell f. 397-3818	***B. A. Borisov, Deputy Minister of Foreign Trade, 32/34 Simolenskaja, Plushad, G-200, Moscow, U.S.S.R.	<i>Liaison in Ottawa:</i> S. F. Tshentchikovskiy, Commercial Counsellor, 24 Blackburn Avenue, Ottawa, Canada. Tel.: Ottawa 236-1225 ***Liaison in Moscow: M. V. Nesterov, Chairman of the Presidium, The U.S.S.R. Chamber of Commerce, 6 Kulbysheva Street, Moscow, U.S.S.R.	a. R. R. Kliks b. Kulbysheva Street, Moscow, U.S.S.R. c. A. A. Andoyants, 6 Kulbysheva Street, Moscow, U.S.S.R. d. A. N. Kondratiev, 6 Kulbysheva Street, Moscow, U.S.S.R. e. Consulting Engineers: Bessuchem, Beaton, Lapointe, 6085 Côte des Neiges, Montréal, Canada. Tel.: Montréal 731-8821	

39. CHAD a. March 9, 1965 b. Notre-Dame-African Place c. Part of lot No. 4254 d. 19,459 ft. ² , 1,808 m. ² e. K. L. Marshall f. 397-7778	H. E. Boukar Abdoul, Ambassador and Permanent Representative of Chad to the United Nations, 150, East 62nd Street, New York, N.Y., USA	† <i>Liaison in Chad:</i> M. Michel Djingar, Minister of Finance and Economic Affairs, Fort Lamy, Chad.	See entry for Niger (No. 30)
40. INDIA a. March 11, 1965 b. Ile Notre-Dame c. Lt No. 4070 d. 48,172 ft. ² , 4,475 m. ² e. Lt No. 4075 d. 13,518 ft. ² , 1,256 m. ² e. W. N. A. Chipman f. 397-7718	P. K. Panikkar, Director of Exhibitions, Suite No. 708, Place Victoria, St. James Street, Montréal, Canada.	C. S. Ahluwalia, Second Secretary (Commercial) Indian High Commission, 200 MacLaren Street, Ottawa, Ontario. M. S. Samant, Officer-on-Special Duty (Technical) K. S. Luthra, Under Secretary to the Govt. of India Both at: Suite No. 708, Place Victoria, St. James Street, Montréal, Canada.	a. M. M. Rana b. Marshall & Merrett Stahl Elliot & Mill, 1425 Mountain St., Montréal, Canada. Tel.: 288-2201
41. ARGENTINA a. March 18, 1965 b. Ile Sainte-Hélène c. Lt No. 3200 d. 25,959 ft. ² , 2,412 m. ² e. Miss M. Choquet f. 397-7878	Dr. Leopoldo Tettamanti, Director General of Economic Affairs, Foreign Ministry of Argentina, Buenos Aires, Argentina.	The Minister of Foreign Affairs, Government of Ethiopia, Addis Ababa, Ethiopia.	
42. ETHIOPIA a. March 19, 1965 b. Ile Notre-Dame c. Lot No. 4280 d. 10,872 ft. ² , 1,010 m. ² c. Lot No. 4285 d. 10,672 ft. ² , 991 m. ² e. K. L. Marshall f. 397-7778	H. E. Luis Vidal Zaglio, Minister of External Affairs, Department of External Affairs, Montevideo, Uruguay.		
43. URUGUAY a. March 29, 1965 b. Ile Notre-Dame c. Lot No. 3210 (part of lot) d. 25,621 ft. ² , 2,380 m. ² e. Miss M. Choquet f. 397-7718	François Aplogan, Minister of Finance, Economic Affairs and Planning, Cotonou, Dahomey		See entry for Niger (No. 30)
44. DAHOMEY a. April 26, 1965 b. Ile Notre-Dame-African Place c. Part of lot 4253 d. 18,270 ft. ² , 1,697 m. ² e. K. L. Marshall f. 397-7778			

* Joint participation of Barbados and Guyana (British Guiana).

** Correspondence pending further notice to be forwarded to Mr. Sukhabut with copies to Dr. Besso and Col. Kambhu.

*** Copies of correspondence should be addressed also to Mr. Nestorov.

† Copies of correspondence should be addressed also to H. E. Boukar Abdoul.

SCHEDULE D (cont'd)

NATIONAL PARTICIPATION

PARTICIPANT	COMMISSIONER GENERAL OF SECTION	LIAISON OTHER THAN COMMISSIONER GENERAL OF SECTION	ARCHITECTS a. Principal b. Canadian Associate
45. KOREA a. April 27, 1965 b. Ile Sainte-Hélène c. Lot No. 3220 d. 13,580 ft. ² , 1,262 m. ² e. G. Banerman f. 397-7886	Youghun Hahn, Counsellor, Chargé d'affaires, Embassy of the Republic of Korea, Commonwealth Building, Metcalfe St., Ottawa, Canada.	Pom Sik Oh, President, Korean Trade Promotion Corporation, 4th floor, 46, Fourth St., Nandemoon Ro, Seoul, Korea. Byung Il Yu, Manager Korea Pavilion Montréal 67, 1556 Wolfe Street, Montréal, Canada. Tel.: 527-2604	a. Kim Swoo Geun, 60-Song Hyun Dong, Jong No Kyu Seoul, Korea. b. Blais & Bélanger, 8129 St-Denis St., Suite 301, Montréal, Canada. Tel.: Montréal 384-0404
46. HAITI a. May 6, 1965 b. Ile Notre-Dame c. Lot No. 4222 d. 9,392 ft. ² , 873 m. ² e. Miss M. Choquet f. 397-7878	Jean Sassine, Office of the Government of Haiti, 1500 St. Catherine St. West, Room 202, Montréal, Canada. Tel.: Montréal 937-3708	H. E. Dr. Weber Hippolyte Ambassador Extraordinary and Plenipotentiary to Canada, Embassy of Haiti, Hotel Tiffany, 150 Drivevay, Apt. 111, Ottawa, Canada. Tel.: Ottawa 232-2555	a. Denis Lemarre, 2245 Sherbrooke Street East, Montréal, Canada. Tel.: Montréal 526-9131
47. COSTA RICA a. May 10, 1965 b. Ile Sainte-Hélène c. Lot No. 3210 d. 23,021 ft. ² , 2,330 m. ² e. Miss M. Choquet f. 397-7873	Vladimir Saicic, Zmaj Jovina 21, P.O. Box 55, Belgrade, Yugoslavia.	Guillermo Cruz, President, Comision de Eventos Internacionales, Apartado postal 5001 San Jose, Costa Rica.	
48. YUGOSLAVIA a. May 13, 1965 b. Ile Notre-Dame c. Lot No. 4220 d. 26,483 ft. ² , 2,460 m. ² e. Mrs. O. Maxwell f. 397-3818	**Branko Milijanovic, Counsellor, Embassy of Yugoslavia, 17, Blackburn Ave., Ottawa 2, Canada. Tel.: Ottawa 233-4289	a. Architect: Miroslav Pesic, Zmaj Jovina 21, Beograd, Yugoslavia. a. Engineer: Mihaila Popovic, c/o Commissioner General of Section.	
49. DEMOCRATIC REPUBLIC OF THE CONGO a. June 3, 1965 b. Ile Notre-Dame c. Lot No. 4245 d. 12,079 ft. ² , 1,122 m. ² e. K. L. Marshall f. 397-7778	Pierre M'Balé, Chargé d'Affaires, a.i. Embassy of the Democratic Republic of the Congo, 31 Range Road, Ottawa, Canada.	<i>Liaison in Léopoldville:—</i> Dr. Florio Flori, Director of the Economic Co-ordination Bureau, Léopoldville, Democratic Republic of the Congo. H. E. Oscar Muleleni, Ministry of Foreign Trade, Léopoldville, Democratic Republic of the Congo.	b. Michael M. Kopsa, 131 Davenport, Toronto 5, Ontario. Tel.: Toronto WA5-4418

50. CUBA a. July 13, 1965 b. Ile Notre-Dame c. Lot No. 4240-African Place d. 13,600 ft. ² , 1,269 m. ² e. Miss M. Choquet f. 397-7878	H. E. Dr. Américo Cruz, Ambassador, Embassy of Cuba, 112 Sherwood Drive, Ottawa, Canada. Tel.: Ottawa 722-9106.	<i>Deputy Commissioner General:</i> — Jorge Selva, Consul General of Cuba, 1 Place Ville-Marie, Montréal, Canada. Tel.: Montréal 861-4396.	b. Gagnon & Rousseau, Architects, 580 Ste. Foy Street, Ville Jacques-Cartier, P.Q., Canada.
51. GUYANA (BRITISH GUIANA)* a. July 14, 1965 b. Ile Notre-Dame c. Lot No. 4100 d. 7,000 ft. ² , 687 m. ² e. W. N. A. Chipman f. 397-7718	Peter G. Morgan, P.O. Box 242 Bridgetown, Barbados, W.I.	Miss Lynette Dolphin, M.B.E., Chairman of the Expo Committee, c/o Ministry of Trade and Industry, Georgetown, British Guiana. <i>Inquiries and offers from suppliers:</i> Bryan-Elliott Limited, 2015 Drummond, Suite 710, Montréal 25, Canada. Tel.: Montréal 844-4717.	a. George F. Eber, 1164 Sun Life Building, Montréal, Canada. Tel.: Montréal 866-8991.
52. AUSTRALIA a. July 23, 1965 b. Ile Notre-Dame c. Lot No. 4135 d. 40,423 ft. ² , 3,755 m. ² e. Lot No. 4176 f. 24,543 ft. ² , 2,280 m. ² g. W. N. A. Chipman h. 397-7718	Air Marshall Sir Valston Eldridge Hancock, K.B.E., C.B., D.F.C., Australian Exhibition Organization, Box 702, Canberra, Australia.	R. W. Holberton, Trade Commissioner for Australia, Canadian Imperial Bank of Commerce Building, Suite 3410, 1155 Dorchester Boulevard West, Montréal, Canada. Tel.: Montréal 875-2000.	a. J. Maccornick, Commonwealth Department of Works, Macquarie Street, Brtn., Canberra, Australia. b. John B and John C Parkin, Place Ville-Marie, Room 3810, Montréal, Canada.
53. TANZANIA a. August 28, 1965 b. Ile Notre-Dame—African Place c. Part of lot 4253 d. 22,193 ft. ² , 2,062 m. ² e. K. L. Marshall f. 397-7778	G. M. Rutabanzibwa, High Commissioner to Canada, Ottawa, Ontario	O. Mwambungu, Principal Secretary, Ministry of Commerce and Co-Operatives, P.O. Box 2774, Dar es Salaam, Tanzania.	See entry for Niger (No. 30)
54. MAURITIUS a. September 2, 1965 b. Ile Notre-Dame c. Part of lot 4228 d. 4,980 ft. ² , 463 m. ² e. K. L. Marshall f. 397-7778	A. Marcel Lagesse, Quay Square, Port Louis, Mauritius.		a. A. Marcel Lagesse, Quay Square, Port Louis, Mauritius.
55. CENTRAL AFRICAN REPUBLIC a. September 7, 1965 b. Ile Notre-Dame—African Place c. Part of lot 4254 d. 19,459 ft. ² , 1,808 m. ² e. K. L. Marshall f. 397-7778		Jean-Paul Mokodopo, Director, Technical and Cultural Co-operative Service, Ministry of Foreign Affairs, Bangui, Central African Republic.	See entry for Niger (No. 30)

* Joint participation of Guyana (British Guiana) and Barbados.
** Requests copies of correspondence addressed to commissioner general of section.

PARTICIPANT		NATIONAL PARTICIPATION		SCHEDULE D (cont'd)	
		COMMISSIONER GENERAL OF SECTION	LIAISON OTHER THAN COMMISSIONER GENERAL OF SECTION	ARCHITECTS a. Principal b. Canadian Associate	
56. ALGERIA a. September 7, 1965 b. Ile Notre-Dame c. Lot No. 4273 d. 19,833 ft. ² , 1,842 m. ² e. J. Dansereau f. 397-8924					
57. SENEGAL a. October 4, 1965 b. Ile Notre-Dame-African Place c. Part of lot 4256 d. 17,135 ft. ² , 1,592 m. ² e. K. L. Marshall f. 397-7778			Daniel Gabou, Minister of Commerce, Government House, Dakar, Senegal.		See entry for Niger (No. 30)
58. TOGO a. October 15, 1965 b. Ile Notre-Dame-African Place c. Part of lot 4255 d. 18,270 ft. ² , 1,697 m. ² e. K. L. Marshall f. 397-7778			<i>Liaison in Togo:</i> J. Agonégnan, Minister of Commerce, Industry and Tourism, Lomé, Republic of Togo. *G. Apedo Amah, Minister of Foreign Affairs, Lomé, Republic of Togo.		See entry for Niger (No. 30)
59. MEXICO a. October 18, 1965 b. Ile Notre-Dame c. Lot No. 4063 d. 54,800 ft. ² , 5,091 m. ² e. Miss M. Choquet f. 397-7878		Jenaro Hernandez de la Mora, Subdirector of Commerce, Ministry of Industry and Commerce, Cuauhtémoc Avenue No. 80, Mexico City, Mexico.			a. Antonio Garcia Corona, Querciaro 246-4 ^o piso, Mexico City, Mexico.
60. UNITED ARAB REPUBLIC a. October 21, 1965 b. Ile Notre-Dame c. Lot No. 4265 d. 15,840 ft. ² , 1,472 m. ² e. J. Dansereau f. 397-8924			Ibrahim Shukrallah, Director, Arab League Information Centre, 85 Range Road, Ottawa, Canada.		b. Cardwell, Ross, Anderson, 1134 Chemin St-Louis, Quebec City 6, P.Q., Canada
61. LIBYA a. October 21, 1965 b. Ile Notre-Dame c. Lot No. 4278 d. 8,675 ft. ² , 806 m. ² e. J. Dansereau f. 397-8924			See entry for United Arab Republic (No. 60)		

62. LEBANON a. October 21, 1965 b. Ile Notre-Dame c. Lot No. 4266 d. 10,759 ft. ² , 1,000 m. ² e. J. Dansereau f. 397-8924		See entry for United Arab Republic (No. 60)	
63. SAUDI ARABIA a. October 21, 1965 b. Ile Notre-Dame c. Lot No. 4261 d. 22,694 ft. ² , 2,108 m. ² e. J. Dansereau f. 397-8924		See entry for United Arab Republic (No. 60)	
64. KUWAIT a. October 21, 1965 b. Ile Notre-Dame c. Lot No. 4263 d. 5,161 ft. ² , 479 m. ² e. J. Dansereau f. 397-8924		See entry for United Arab Republic (No. 60)	
65. BRAZIL a. December 3, 1965 b. Ile Sainte-Hélène c. Details pending d. Details pending e. Miss M. Choquet f. 397-7878		Miguel Ozorio de Almeida, Consul General, Consulate of Brazil, 1 Place Ville-Marie, Montréal, Canada.	
66. KENYA a. December 3, 1965 b. Ile Notre-Dame-African Place c. Part of lot 4253 d. 22,193 ft. ² , 2,057 m. ² e. K. L. Marshall f. 397-7778	<i>Liaison in New York:—</i> Burudi Nabwera, Ambassador, Permanent Mission of the Republic of Kenya, to United Nations, 733, Third Avenue, Room 205, New York 17, N.Y.	The Hon. Joseph Murumbi, Minister of Foreign Affairs, Ministry of Foreign Affairs, Nairobi, Republic of Kenya, Dr. J. G. Kiambu, Minister of Commerce & Industry, P.O. Box 30430, Nairobi, Republic of Kenya.	
67. GREECE a. February 1, 1966 b. Ile Notre-Dame c. Lot No. 4260 d. 27,957 ft. ² , 2,597 m. ² e. J. R. Dansereau f. 397-8924	Denis Dimitriou, Director, Department of Trade and Commerce, Athens, Greece.		
68. BURMA a. March 14, 1966 b. Ile Notre-Dame c. Lot No. 4058 d. 14,553 ft. ² , 1,352 m. ² e. Glen Bannerman f. 397-7886		Toe Lon, Chargé d'Affaires, a.i., Embassy of Burma, 2nd Floor, Royal Trust Bldg., 116 Albert Street, Ottawa, Canada. Tel.: 238-9613	

* Copies of correspondence should be addressed to J. Agbamegnan

4. PRINCE EDWARD ISLAND.....	<i>Liaison:</i> P. A. Murnaghan, Deputy Minister of Tourist Development, Provincial Building, Charlottetown, P.E.I. Tel.: Charlottetown 894-3324.	A. M. Gale Tel.: 397-8933
5. QUEBEC.....	<i>Commissioner:</i> Jean Oteau, Commissioner for the Quebec Pavilion—Expo 67, 25th floor Place Ville-Marie, Montréal, Canada. Tel.: Montréal 873-2242.	4423 ARCHITECTS: Papineau, Gérin-Lajoie, LeBlanc & Durand, 3900 Van Horne Street, Montréal, Canada. Tel.: Montréal 342-0680 EXPO LIAISON OFFICER: A. M. Gale Tel.: 397-8933
6. ONTARIO.....	<i>Liaison:</i> J. W. Ramsay, Chief, Special Projects and Planning, Ontario Department of Economics and Development, 950 Yonge Street, Toronto 5, Ontario. Tel.: Toronto 365-1615.	4437 ARCHITECTS: Fairfield & Dubois, 120 Eglinton Avenue East, Toronto, Ontario. EXPO LIAISON OFFICER: A. M. Gale Tel.: 397-8933
WESTERN PROVINCES.....	<i>Commissioner for the joint participation of the four Western Provinces:</i> I. H. Blicq, Director of Administration, Department of Industry and Commerce, Norquay Building, Winnipeg, Manitoba. Tel.: Winnipeg Whitehall 6-7498	4425 29, 142 2, 707
7. MANITOBA.....	<i>Liaison:</i> I. H. Blicq, Director of Administration, Department of Industry and Commerce, Norquay Building, Winnipeg, Manitoba. Tel.: Winnipeg Whitehall 6-7498	PARTICIPATION DESIGNERS: Opus International Ltd., 1110 Sherbrooke Street West, Montréal, Canada. Tel.: Montréal 814-8898
8. SASKATCHEWAN.....	<i>Liaison:</i> Hon. W. Gardiner, Minister of Public Works, Legislative Buildings, Regina, Saskatchewan. Tel.: Regina 522-7631	ARCHITECTS: Beaton Stevens & Associates, 1134 8th Avenue S.W., Calgary, Alberta. Tel.: Calgary AM 9-1588
9. ALBERTA.....	<i>Liaison:</i> H. E. Martin, Director of Publicity, Legislative Buildings, Edmonton, Alberta. Tel.: Edmonton 229-3821.	EXPO LIAISON OFFICER: A. M. Gale Tel.: 397-8933
10. BRITISH COLUMBIA.....	<i>Liaison:</i> L. J. Wallace, Deputy Provincial Secretary, Province of British Columbia, Parliament Buildings, Victoria, British Columbia. Tel.: Victoria 382-6111.	

4.—INDIVIDUAL STATE PARTICIPATION (U.S.A.)

PARTICIPANT a. Date of Commitment b. Location of Pavilion c. Lot Number d. Area of Lot e. Expo Liaison Officer f. Telephone Number	LIAISON	ARCHITECTS
1. NEW YORK a. July 1, 1965 b. Ile Sainte-Hélène c. Lot No. 3230 d. 22,141 ft. ² , 2,057 m. ² e. G. Bannerman f. 397-7886	Joseph J. Horan, Department of Commerce, State of New York, Albany, New York, U.S.A.	
2. MAINE a. February 9, 1966 b. Ile Verte c. Lot No. 3240 d. 10,929 ft. ² , 1,015 m. ² e. G. Bannerman f. 397-7886	Standish K. Bachman, Commissioner, Department of Economic Development, State House, Augusta, Maine, U.S.A.	
3. VERMONT a. February 26, 1966 b. Ile Verte c. Lot No. 3110 d. 15,245 ft. ² , 1,416 m. ² e. G. Bannerman f. 397-7886	Elbert G. Moulton, Commissioner, Vermont Development Department, Montpelier, Vermont, U.S.A.	

5.—MUNICIPAL PARTICIPATION

1. CITY OF PARIS a. April 24, 1964 b. Details pending c. Details pending d. Details pending e. V. Gendron f. 397-3890	Didier Delfour, Délégué général—Section de Paris Exposition universelle et internationale de 1967 Hôtel de Ville, Paris, France.	Jean Drapeau, Mayor of Montréal, City Hall, Montréal. Tel.: Montréal 872-3101 Lucien Saulnier, Chairman of Executive Committee, City Hall, Montréal. Tel.: Montréal 872-2955.
2. CITY OF MONTREAL a. December 16, 1964 b. Details pending c. Details pending d. Details pending e. f.		

PARTICIPANT		COMMISSIONER OR LIAISON FOR PAVILION	
<p>a. Date of Commitment</p> <p>b. Location of Pavilion</p> <p>c. Lot Number</p> <p>d. Lot Area</p> <p>e. Expo Liaison Officer</p> <p>f. Telephone Number</p>		<p>Amended to March 31, 1966</p> <p>Replacing list dated February 4, 1966</p> <p>ARCHITECTS</p>	
<p>1. CHRISTIAN PAVILION INC.</p> <p>a. December 22, 1964</p> <p>b. Ile Notre-Dame</p> <p>c. 4400</p> <p>d. 27,897 ft.², 2,592 m.²</p> <p>e. Roger M. Désy</p> <p>f. 397-8921</p> <p>(The Pavilion will represent the Christian Churches at Expo. Participants are:—The Roman Catholic Church, United Church of Canada, Anglican Church, Presbyterian Church, Baptist Church, Greek Orthodox Church, Lutheran Church).</p>		<p><i>Commissioner:</i> Rev. Jean Martucci 23rd floor, Place Ville-Marie, Montréal, Canada. Tel.: Montréal 878-9161. <i>Manager:</i> J.-Henri Longtin, Same Address as Commissioner</p>	
<p>2. SERMONS FROM SCIENCE</p> <p>a. May 12, 1965</p> <p>b. Ile Notre-Dame</p> <p>c. 4085</p> <p>d. 18,842 ft.², 1,750 m.²</p> <p>e. E. M. Blanchard</p> <p>f. 397-3920</p>		<p><i>Liaison:</i> M. G. Spankie, Vice-President, Sermons from Science, Room 316, Bricks Bldg., 620 Cathcart Street, Montréal, Canada. Tel.: Montréal 866-6411. Secretariat: Tel.: Montréal 878-1043</p>	
<p>3. ENGINEERS' PLAZA</p> <p>a. June 22, 1965</p> <p>b. Ile Notre-Dame</p> <p>c. 4293</p> <p>d. 18,814 ft.², 1,748 m.²</p> <p>e. E. M. Blanchard</p> <p>f. 397-3920</p> <p>(The contribution of the engineering profession across the country. A Gerald Gladstone sculpture symbolic of the profession will be displayed on the plaza.)</p>		<p>Pierre Demers, 4815 Carlton Avenue, Montréal, Canada. Tel.: Montréal 739-2208.</p>	
<p>4. CANADIAN POLISH CONGRESS INC. (Montreal)</p> <p>a. October 20, 1965</p> <p>b. Ile Sainte-Hélène</p> <p>c. 3310 (Theme lot of Ile Verte)</p> <p>d. Mrs. Olga Maxwell</p> <p>e. 397-3818</p> <p>f. (Sponsors of statue of Copernicus)</p>		<p>George Korey-Krzeczowski, President, Canadian Polish Congress Inc. (Montréal) P.O. Box 457, Station Snowdon, Montréal 29, E. Baranowski, P.Eng., 49 St. Charles Avenue, Pointe Claire, P.Q.</p>	
<p>5. CANADIAN INDIAN PAVILION</p> <p>a. December 10, 1965</p> <p>b. Ile Notre-Dame</p> <p>c. 4420</p> <p>d. 28,411 ft.², 2,639 m.²</p> <p>e. A. M. Gale</p> <p>f. 397-8933</p>		<p>Yves Thériault, Director Cultural Affairs, Indian Affairs and Administration, Ottawa, Ontario</p>	
		<p>J. W. Francis, Chief Architect, Department of Immigration and Citizenship, Ottawa, Canada. Tel.: Ottawa 992-2786</p>	
		<p>Andrzej Madeyski, 4960 Coronet, Apt. 6, Montréal 6, Canada Tel.: Montréal RE 9-7401</p>	
		<p><i>Landscape Consultants</i> J. Khurana, Project Planning Associates, 3 Place Ville-Marie, Montréal, Canada.</p>	
		<p>George F. Eber, 1164 Sun Life Building, Montréal, Canada. Tel.: Montréal 866-8691.</p>	
		<p>D'Astous & Pothier, 356 Côte Ste-Catherine, Montréal, Canada. Tel.: Montréal 276-2583</p>	

2.—CANADIAN INDUSTRIES

NAME OF COMPANY a. Date of Commitment b. Location of Pavilion c. Lot No. d. Area of lot e. Expo Liaison Officer f. Telephone Number	LIAISON FOR PARTICIPATION	ARCHITECTS
1. BREWERS ASSOCIATION OF CANADA a. March 12, 1964 b. Ile Sainte-Hélène c. Lot No. 3115 d. 27,124 ft. ² , 2,520 m. ² e. Roger M. Désy f. 397-8921	Ange-Albert Vallée, Director & General Manager, ABC-Distribution 67,—BAC, 2100 Drummond Street, Suite 650, Montréal 25. Tel.: Montréal 288-0118.	Fairfield & Dubois, 120 Eglinton Avenue East, Toronto, Tel.: Toronto 485-0401.
2. CASSIDY'S LTD.* a. March 12, 1964 b. D. Lantier c. 397-7933 f. (Participation in "Man the Producer" Theme area).	A. T. Brodeur, President, Cassidy's Ltd., P.O. Box 248, Place d'Armes, Montréal. Tel.: Montréal 288-3201	
3. SIMMONS LTD.* a. March 12, 1964 b. R. Parkes c. 397-8901	Gerald T. Dawson, Vice-President, Simmons Ltd., 4700 Saint-Ambroise Street, Montréal. Tel.: Montréal 933-4282	
4. SUN LIFE ASSURANCE CO. OF CANADA* a. March 12, 1964 b. Ile Sainte-Hélène park area c. Lot No. 8000 d. 6,485 ft. ² , 603 m. ² e. Lot No. 8100 f. 6,400 ft. ² , 595 m. ² g. 3,814 ft. ² , 353 m. ² h. 3,814 ft. ² , 353 m. ² i. 397-3920 (Sponsorship of Carillon)	A. R. Hasley, Executive Assistant, Sun Life Assurance Co. of Canada, Sun Life Building, Dominion Square, Montréal. Tel.: Montréal 866-6411. Local 239.	Dobush, Stewart, Bourke, Longpré, Marchand, Goudreau, 345 Victoria Ave., Westmount, Montréal. Tel.: Montréal 489-9376.
5. THE CANADIAN LUMBERMEN'S ASSOCIATION a. April 9, 1964 b. Le Notre-Dame c. Lot No. 4216 d. 10,223 ft. ² , 950 m. ² e. Roger M. Désy f. 397-5921	J. M. St-Laurent, Director of 1967 World Exhibition Promotion, The Canadian Lumbermen's Association, 27 Goutbourn Avenue, Ottawa. Tel.: Ottawa 233-6206.	Gustavo da Roza, 23 Waterford Bay, Winnipeg 19, Manitoba.
6. TELEPHONE ASSOCIATION OF CANADA a. July 20, 1964 b. Ile Sainte-Hélène c. Lot No. 3160 d. 40,000 ft. ² , 3,716 m. ² e. Roger M. Désy f. 397-8921	Charles de L. Harwood, Assistant Vice President & General Exhibit Manager, Expo 67, The Telephone Association of Canada, 1060 Beaver Trail Hill, Montréal. Tel.: Montréal 870-5688.	David Barott Boulva, 3 Place Ville-Marie, Montréal, Canada. Tel.: Montréal 866-9854.

<p>7a. CANADIAN PACIFIC-THE CONSOLIDATED MINING AND SMELTING COMPANY OF CANADA LIMITED October 9, 1964 a. Ile Notre-Dame b. Lot No. 4047 c. 39,234 ft.², 3,645 m.² d. Roger M. Déry e. 397-8021 f.</p>	<p>E. L. Guertin, General Manager, Canadian Pacific-Cominco Pavilion Expo 67, Room 326, Windsor Station, Montréal 3. Tel.: Montréal 861-0811. Local 2137.</p>	<p>Dobush, Stewart, Bourke, Longpré, Marchand, Gauthier, 345 Victoria Avenue, Westmount, Montréal. Tel.: Montréal 489-5378.</p>
<p>7b. THE CONSOLIDATED MINING AND SMELTING COMPANY OF CANADA LIMITED</p>	<p>See Canadian Pacific-Cominco Pavilion</p>	
<p>8. INTERNATIONAL NICKEL CO. OF CANADA LTD.* a. November 5, 1964 b. D. Giles c. 397-3816 d. e. f.</p>	<p>K. H. J. Clarke, Manager, Canadian Sales & Market Development International Nickel Co. of Canada Ltd., 55 Yonge Street, Toronto 1, Ontario. Tel.: Toronto 302-6311.</p>	
<p>9. PEPSI-COLA CANADA LTD.* a. November 27, 1964 b. Details pending c. Details pending d. e. f.</p>	<p>Bob Hollingsworth, Manager, National Accounts & Syrup Sales, Pepsi-Cola Canada Ltd., 4000 Jean Talon Street West, Montréal. Tel.: Montréal 731-6401. Local 50.</p>	
<p>10. DU PONT OF CANADA LTD.* a. December 1, 1964 b. D. Lantier c. 397-7933 d. (Sponsor of Du Pont of Canada Auditorium on Ile Sainte-Hélène.)</p>	<p>John Hartnett, Project Manager—Expo 67, Du Pont of Canada Ltd., P.O. Box 660, Montréal 3. Tel.: Montréal 861-3861. Local 176.</p>	
<p>11. CANADIAN NATIONAL RAILWAYS a. December 16, 1964 b. Ile Notre-Dame c. Lot No. 4242 d. 20,310 ft.², 1,887 m.² e. P. S. Turner f. 397-8808</p>	<p>James Muir, Special Assistant to the Director of Public Relations, Canadian National Railways, P.O. Box 8100, Montréal. Tel.: Montréal 877-4990. Telex: CN-SYS—H6—Mtl. Montréal 01-2733.</p>	<p>John B and John C Parkin Architects, Place Ville-Marie, Montréal. Tel.: Montréal 866-5337. Papineau, Gérin-Lajoie et Leblanc, 3800 Van Horne Avenue, Montréal. Tel.: Montréal 324-0680.</p>
<p>12. AIR CANADA a. January 11, 1965 b. Ile Sainte-Hélène c. Lot No. 3180 d. 18,938 ft.², 1,759 m.² e. P. S. Turner f. 397-8808</p>	<p>Rod MacInnes, director of Public Relations, Air Canada, 39th floor, Place Ville-Marie, Montréal. Tel.: Montréal 874-4882. Russel Yeoman, Technical Coordinator, Expo Project Office, 3722A, Place Ville-Marie, Montréal. Tel.: Montréal 874-4506.</p>	<p>Crang & Boake, 86 Overlea Blvd., Thorncliffe Park, Toronto 17, Tel.: Toronto 425-0981</p>
<p>13. NORANDA MINES LTD.* a. March 3, 1965 b. D. Lantier c. 397-7933 d. (Sponsor of a 26-week series of lectures by Nobel laureates and other outstanding personalities in the Du Pont of Canada Auditorium.)</p>	<p>Marcel Théoret, Director of Public Relations, Noranda Mines Ltd., Room 801, 715 Victoria Square, Montréal. Tel.: Montréal 849-1652.</p>	

*Participating in other than own pavilion.

2.—CANADIAN INDUSTRIES

NAME OF COMPANY a. Date of Commitment b. Location of Pavilion c. Lot No. d. Area of lot e. Expo Liaison Officer f. Telephone Number	LLIAISON FOR PARTICIPATION	ARCHITECTS
14. CANADIAN KODAK CO. LTD. a. March 4, 1965 b. Ile Notre-Dame c. Lot No. 4243 d. 12,387 ft. ² , 1,141 m. ² e. L. M. Blanchard f. 397-3920	D. D. Lauder, Vice-President, Canadian Kodak Co. Ltd., 3500 Eglinton Avenue West, Toronto, Tel.: Toronto 706-8233.	a. John B and John C Parkin, 38th Floor, Room 3819, Place Ville-Marie, Montréal, Canada
15. IMPERIAL OIL LTD.* a. March 25, 1965 b. R. Parkes c. 397-8901 f. (Theme area participation)	W. Bruce McKinnon, Assistant to the President, Imperial Oil Ltd., 111 St. Clair Avenue West, Toronto, Tel.: Toronto 924-9849.	
16. CANADIAN BROADCASTING CORPORATION a. March 25, 1965 b. Mackay Pier c. Lot No. 2120 d. 87,510 ft. ² , 8,130 m. ² e. A. M. Gale f. 397-8933	J. W. R. Graham, Director of Broadcasting—Expo 67, Canadian Broadcasting Corporation, Suite 2016, Place Ville-Marie, Montréal, Tel.: Montréal 397-7793	Gordon McKinstrey, 20th Floor-Suite 2016, Place Ville-Marie, Montréal, Tel.: Montréal 397-3226 Meadowcroft & Mackay, 3300 Cavendish Boulevard, Suite 940, Montréal, Tel.: Montréal 482-5300.
17. CANADIAN PULP AND PAPER ASSOCIATION a. March 25, 1965 b. Ile Notre-Dame c. Lot No. 4044 d. 31,030 ft. ² , 2,883 m. ² e. E. M. Blanchard f. 397-3920	L. W. Nederkorn, Commissioner for the Pavilion of the Canadian Pulp and Paper Association, Suite 2280, Sun Life Building, Dominion Square, Montréal, Tel.: Montréal 866-6621, Local 45.	ARCHITECT: Peter M. Acres, 4631 Sherbrooke St. W., Montréal 6. Tel.: Montréal 933-4239 DESIGNERS: Kissiloff & Wimmershoff Ltd., Room 2302 1155 Dorchester Boulevard West, Montréal, Tel.: Montréal 878-2188.
18. RCA VICTOR CO. LTD.* a. March 30, 1965 b. D. Lantier c. 397-7933 f. (theme area participation)	E. W. Miller, Technical Representative to Expo 67, RCA Victor Co. Limited, 1001 Lenoir Street, Montréal 30, Tel.: Montréal 833-7551, Local 401-407.	
19. TRANS CANADA PIPE LINES LTD.* a. April 1, 1965 b. E. M. Blanchard f. 397-3920	M. S. Lent, Executive Assistant to the President, Trans-Canada Pipelines Ltd., 150 Eglinton Ave. East, Toronto 12, Canada.	
20. CANADIAN GENERAL ELECTRIC CO. LTD.* a. May 20, 1965 b. D. Lantier c. 397-4933 f. (Participation in "Man the Producer" Theme area)	Robert M. Fauteux, Co-ordinator Expo 67 Project—Canadian General Electric Co. Ltd., 1010 Beaver Hall Hill, Montréal, Tel.: Montréal 866-2511.	

21. ALGOMA STEEL CORPORATION LTD.— DOMINION FOUNDRIES AND STEEL LTD.— DOMINION STEEL AND COAL CORPORATION LTD.— STEEL CO. OF CANADA LTD. May 21, 1965 a. Ile Notre-Dame b. Lot No. 4042 c. 32, 493 ft. ² ; 3,019 m. ² d. Roger M. Désy e. 397-8921 f.	Jack A. McGinn, Secretary Treasurer, Ardee Consultants Corporation Ltd., 67 Yonge Street, Suite 205, Toronto 1. Tel.: Toronto 366-6555	Mathers & Haldenby, 10 St. Mary Street, Toronto 5. Tel.: Toronto 924-9210
22. AMERICAN MOTORS (CANADA) LTD.— CHRYSLER CANADA LTD.— FORD MOTOR COMPANY OF CANADA, LTD.— GENERAL MOTORS PRODUCTS OF CANADA, LTD.— STUDEBAKER OF CANADA, LTD.— VOLVO (CANADA) LTD.* June 18, 1965 a. Lot No. 1000—Pointe St. Charles d. 466,100 ft. ² ; 43,301 m. ² (approximately) e. Roger M. Désy f. 397-8921 (Sponsors of Automotive Stadium)	James Dykes, Motor Vehicle Manufacturers' Association, 160 Bloor Street East, Toronto 5. Tel.: Toronto 924-8108	
23. SOUTHAM PRESS LTD.* June 18, 1965 a. Mackay pier b. D. Lantier c. 397-7933 f. (Sponsors of fine photograph exhibit in "Man the Creator")	I. S. Ward, Vice President—Marketing, Sontham Press Ltd., 32 Bloor St. East, Toronto 5. Tel.: Toronto 925-2881	
24. CANADIAN BANKERS ASSOCIATION* June 18, 1965 a. Mackay pier b. Lot No. 2270 c. 78, 062 ft. ² ; 7,251 m. ² d. Roger M. Désy e. 397-8921 f. (Sponsors of International Trade Centre and Expo Club)	I. H. Perry, Executive Director, The Canadian Bankers Association, 50 King Street West, Toronto 1. Tel.: Toronto 362-7521	
25. ALUMINUM CO. OF CANADA LTD.* June 22, 1965 a. Ile Ronde b. Lot No. 5700 c. 127,438 ft. ² ; 11,811 m. ² d. F. M. Blanchard e. 397-3970 f. (Sponsor of Montréal Aquarium)	E. H. Eberts, Secretary and Vice-President, Aluminum Co. of Canada Ltd., 1 Place Ville-Marie, Montréal. Tel.: Montréal 877-2249	
26. PAVILION OF ECONOMIC PROGRESS* November 15, 1965 a. Ile Notre-Dame b. Lot No. 4241 c. 14,172 ft. ² ; 1,317 m. ² d. D. Gilles e. 397-3816 f. (Sponsored by Canadian Economic Foundation)	J. A. Fuller, Room 1005, 620 Dorchester Blvd., West, Montréal. Tel.: Montréal 861-5376.	a. Menkes and Webb, 1800 Sherbrooke St. West, Montréal, Tel.: 931-1375 DESIGNERS Imaginetics of Canada, 630 Dorchester Blvd. West, Montréal, Tel.: 878-9509

* Participating, in other than own pavilion.

2.—CANADIAN INDUSTRIES

NAME OF COMPANY	LIAISON FOR PARTICIPATION	ARCHITECTS
a. Date of Commitment b. Location of Pavilion c. Lot No. d. Area of lot e. Expo Liaison Officer f. Telephone Number		
27. CHEMICAL GROUP—CIL, Dow, Chemcell, Shawinigan, Union Carbide, Cyanamid		
a. November 30, 1965 b. Ile Notre-Dame c. 4055 and 4056 d. 26,334 ft. ² , 2,446 m. ² e. P. S. Turner f. 397-8808	Dr. James W. Tomecko, Educational Relations Manager, CIL, P.O. Box 10, Montreal.	a. Irving Grossman, 7 Sultan Street, Toronto. Tel.: Toronto. 927-3502
28. MASSEY FERGUSON LIMITED*		
a. December 2, 1965 b. Ile Notre-Dame c. Details pending d. Details pending e. Dr. J. H. Hare f. 397-8820 (Mechanization Building of Man the Provider)	H. G. Kettle, Vice President Massey Ferguson Limited, 200 University Avenue, Toronto, Ontario	
29. QUEBEC ASBESTOS MINING ASSOCIATION*		
a. December 6, 1965 b. Ile Notre-Dame c. Lot No. 4425 d. 9,901 ft. ² , 920 m. ² e. E. M. Blanchard f. 397-3920 (Sponsorship)	Paul A. Filteau, General Manager, Quebec Asbestos Mining Association, 580 Grande-Allée Est, Suite 320, Quebec 4.	J. Khurana, Project Planning Associates, 3 Place Ville-Marie, Montréal.
30. DOMINION RUBBER COMPANY LIMITED*		
a. December 8, 1965 e. Antoine Rioux f. 397-8925 (Sponsorship)	R. Bryce Marchant, Assistant Manager, Public Relations, Dominion Rubber Company Limited, 550 Papineau Avenue, Montréal 24. Tel.: 522-2111	
31. THE BALDWIN COMPANY (CANADA) LIMITED		
a. December 8, 1965 e. Roger Desy f. 397-8921 (Sponsorship)	E. Wulsin, Vice President, The Baldwin Company (Canada) Ltd., 86 Rivalda Road, Weston, Ontario.	
32. TEXACO CANADA LIMITED*		
a. December 8, 1965 e. Roger Parkes f. 397-8901 (Sponsorship)	Ernest J. Little, Manager, Public Relations Department, Texaco Canada Limited, 1245 Mountain Street, Montréal. Tel.: 842-4281	

33. BP CANADA LIMITED* a. December 8, 1965 b. A. M. Gale c. 842-4881 d. (Sponsorship)	H. Callein, Public Relations Officer, BP Canada Limited, 1245 Sherbrooke Street West, Montréal 25. Tel.: 842-4881	
34. MACLEAN-HUNTER PUBLISHING COMPANY LIMITED* a. December 8, 1965 b. Roger Parkes c. 397-8901 d. (Sponsorship)	Ronald A. McEachern, Executive Vice-President, Maclean-Hunter Publishing Company, 481 University Avenue, Toronto 2, Ontario	
35. CANADA STEAMSHIP LINES* a. December 22, 1965 b. Ile Notre-Dame c. Dr. J. Hare d. 397-8920 e. (Sponsorship)	J. McGriffin, Vice-President, Canada Steamship Lines, Victoria Square, Montréal. Tel.: 233-0231	
36. PORTLAND CEMENT ASSOCIATION* a. January 5, 1966 b. Mackay Pier c. Lot No. 2250 d. 172,000 ft. ² , 2,508 m. ² e. Dunn Lartier f. 397-7933 g. (Sponsorship—Les Jeunesses Musicales Pavilion)	E. Regnier, District Engineer, Portland Cement Association, 1010 St. Catherine St. West, Montréal. Tel.: 866-1882 M. St. Armand, Project Coordinator, Les Jeunesses Musicales, Mt. Orford, P.Q. Tel.: 272-5980	Paul-Marie Côté, 582 Lamarche Blvd. West, Chicoutimi, P.Q.
37. CANADIAN LIFE INSURANCE ASSOCIATION* a. January 13, 1966 b. Mackay Pier c. Lot No. 2550 d. 172,889 ft. ² , 16,061 m. ² (part of) e. Dunn Lartier f. 397-7933 g. (Sponsorship—Man and Health, Theme.)	Frank C. Dimock, Secretary, 302 Bay St., Toronto. Tel.: 46-301-6295	
38. QUEBEC INDUSTRIES a. February 17, 1966 b. Mackay Pier c. Lot No. 2300 d. 57,330 ft. ² , 5,323 m. ² e. Roger Désy f. 397-8921	Maurice de Goumois, Commissaire et Directeur Général, La Corporation du Pavillon des Industries du Québec, Ministère Industrie et Commerce, Place Ville-Marie, 5 ^e étage, Montréal. Tel.: Montréal 878-9711	ARCHITECTS: Jean Grondin, 2620 de Salaberry, Suite 5, Montréal, Canada. Tel.: 331-7380. DESIGNERS: Galeo Planning Ltd., 2015 Drummond St., Suite 760, Montréal 25. Tel.: Montréal 845-3863
39. POLYMER a. February 1, 1966 b. Ile Sainte-Hélène c. Lot No. 3175 d. 8,385 ft. ² , 779 m. ² e. F. M. Blanchard f. 397-3920	E. W. Dill, Director of Public Relations, Polymer Sarnia, Ontario.	R. J. Thom, 47 Colborne St., Toronto 1, Ontario. Tel.: Toronto 366-8083

* Participating in other than own pavilion.

2.—CANADIAN INDUSTRIES

NAME OF COMPANY a. Date of Commitment b. Location of Pavilion c. Lot No. d. Area of lot e. Expo Liaison Officer f. Telephone Number	LIAISON FOR PARTICIPATION	ARCHITECTS
40. TOBACCO INDUSTRIES (Benson and Hedges Canada Limited, Imperial Tobacco Co. of Canada Ltd., Macdonald Tobacco Inc., Rothmans of Pall Mall Canada Ltd., Simon Cigars Co. Ltd.) [*] a. February 4, 1966 b. Ile Notre-Dame c. Dr. J. Hare d. 397-8820 e. (Sponsorship—Sun Acre of Agriculture Pavilion)	Norman Dain, Imperial Tobacco Company of Canada Ltd. 3810 St. Antoine Street, Montréal. Tel.: Montréal 932-6161	ARCHITECTS: Longpré, Marchand, Stewart and Dobush, 506 St. Catherine St. East, Montréal. Tel.: Montréal 842-9528 DESIGNERS: Gagnon, Valkus Inc., 169 St. Paul Street East, Montréal. Tel.: Montréal 866-6705
41. IRM [*] a. February 10, 1966 b. Ile Notre-Dame and Cité du Havre c. Dunn Lantier d. 397-7933 e. (Sponsorship—Man the Producer and Man and His Health)	H. Austin Winch, Communication Manager, IBM, 24 Ferrand Drive, Don Mills, Ontario.	
42. HYDRO QUEBEC, ONTARIO HYDRO [*] a. March 8, 1966 b. Ile Notre-Dame c. Dunn Lantier d. 397-7933 e. (Sponsorship—Man the Producer—Resources for Man)	Gilles Marchand, Quebec Hydro-Electric Commission, 506 St. Catherine St. East, Montréal. James Elsey, Director of Public Relations, Hydro-Electric Power Commission of Ontario, 620 University Avenue, Toronto 2, Ontario.	
43. NATIONAL RESEARCH COUNCIL [*] a. March 23, 1966 b. Ile Verte c. Dunn Lantier d. 397-7933 e. (Sponsorship "Insight 67", Science films in the Dupont of Canada Auditorium)		
44. STEINBERG'S LIMITED [*] a. Details pending b. Ile Ronde c. Lot No. 5400 d. 69,734 ft. ² , 6,478 m ² e. Details pending f. Details pending		
45. HEINTZMAN AND COMPANY LIMITED [*] a. March 1966 b. Roger M. Désy c. 397-8921 d. (Sponsorship)	B. C. Heintzman, Vice President, Heintzman and Company Limited, 193 Yonge Street, Toronto, Tel.: Toronto 416.364.6201	

^{*}Participating in other than own pavilion.

Schedule E

THE THEME "TERRE DES HOMMES"
AND ITS DEVELOPMENT AT THE CANADIAN WORLD
EXHIBITION IN MONTREAL, 1967

The Canadian World Exhibition, to take place in Montreal from April 20 to October 27, 1967, must first conform to the following general definition set down by the International Bureau of Exhibitions:

"An exhibition is a non-scheduled event, the aim of which is to take inventory of the means of humanity's disposal to satisfy the requirements of its civilization, highlighting, on a comparative basis and within a rational framework, progress achieved within a given period."

The title of Antoine de St. Exupéry's book, "Terre des Hommes", has been chosen as the central motif. The intent will be to examine the behaviour of man in his environment, extolling his achievements in the fields of ideas, culture and science.

The Canadian World Exhibition, unlike preceding exhibitions, will lay considerably less stress on contemporary technical advances. It will be concerned more with the craftman than with his tools; it will be centred around man as he works to achieve his destiny and as he carries out his myriad occupations on earth.

Modern man is transcending the boundaries which so long contained and directed his spiritual and material aspirations. He must impose on the world of 1967 new concepts of community life, permitting unity and harmony between peoples to develop within their external diversities and in a spirit of respect for the human personality. The knowledge he has acquired of the world around him has brought modern man to a point where, having learned to escape the law of universal gravitation, the abilities he has developed now impel him to attack the evils which heretofore have been part and parcel of his existence; hunger and thirst, anxiety and war, suffering and disease, cold and drought, degrading labour, natural disaster, etc.

Canada is the perfect stage for the glorification of the forces of nature; it should also be a highly suitable theatre for the study of man today. Situated as it is, historically and geographically, between Europe and the United States, it has been a land of experiment, where two great cultures, basically divergent from each other, the Anglo-Saxon and the French, have worked out a hard apprenticeship in living together, and where all the races of humanity have gathered to make their own contribution to the mosaic of the Canadian nation.

MATERIAL TRANSLATION OF THE EXHIBITION THEME.

The Canadian World Exhibition Commission proposes to those countries, organizations and committees which will be participating in the 1967 Montreal Exhibition the following examples of ways in which the physical development of the theme "Terre des Hommes" can be realized and some forms it could take:

- (a) The successful carrying-out of the Exhibition will demand a very close and continuous relationship between the programmatic development of the theme and its expression in physical and visual terms.

The Exhibition can be regarded as a huge work of art and as in the creation of any work of art, full play must be given to the dialectic of form and content. The entire development of the Exhibition on the site shall reflect the premacy given to human values and aspirations in the theme "Terre des Hommes". It must not be presented as a "Terre des nations" or a "Terre des machines".

(b) The master plan of the Exhibition will be related to three main focal points:

1. The Theme Area;
2. The focus for national manifestations, the "Place des peuples";
3. The Host Area: "Place du Canada".

(c) The Exhibition areas will be developed in "precincts" related to human scale and alleviating the visual, auditory and physical fatigue of Exhibition grounds. The content of these precincts will be determined by the final breakdown of the theme chosen by the program committee, but each of these precincts might be thought of as a small campus with its own central "piazza" or place. The maintenance of urban coherence within and between precincts must be a primary visual aim.

(d) The space between precincts should provide strong contrast to the concentrated inward-looking experience of the precincts themselves. These wooded in-between spaces will be planned to cater to the human needs for rest, relaxation and recreation; nature will be exploited to the full with special insistence on the splendid vistas which exist in and around the Exhibition site.

(e) The suggested "Place des peuples" must be organized in such a way that all nations, large or small, will be represented with more or less the same importance and space. *The main innovation which the Montreal World Exhibition of 1967 would like to contribute is to display each participating nation in terms of its cultural contribution to the family of man, rather than its economic or political power.*

The "Place des peuples" should stress cultural diversity expressed through such means as restaurants, entertainment, art and handicrafts. Competition and comparison within this area should be on the basis of individual skill and artistry, rather than national power. The quality of an international bazaar with its great human richness and diversity would be the key-note for this area.

(f) Since the Eiffel Tower marked the Paris Exhibition of 1889, many, if not all Exhibitions have sought an expressive vertical symbol or unifying element. But while the Eiffel Tower announced the advent of new techniques of structural and mechanical engineering, other symbols have been more trivial than significant. It is now difficult to imagine that any new engineering technique of promise could propose, in 1967, an equivalent of Eiffel Tower in its day; progress has been more spectacular in the fundamental disciplines of knowledge and purely synthetic propositions are not convincing. The unifying element must be sought in the Exhibition itself and its thematic development; the City skyline as a backdrop has all the identification value necessary and no artificial symbol would be as original and magnificent.

THE THEME AREA:
THE EARTH, HOME OF MANKIND
(MYSTÈRES DE LA PLANÈTE)

This topic might be developed in three stages, each progressively more specific and detailed.

1. In a grand entry hall, the theme might be announced in the form of integral motion picture showing the unity within diversity of *man's manner of life*, in deserts and by the sea, in mountains and in cities, in tropics and on the fringes of the Arctic.

2. The second stage of the development could be to introduce three sub-headings touched on in the first step, but now developed in each of three major halls leading one to the other. Each could have satellite rooms branching off it, where subordinate aspects of the theme could be entrusted to large industrial corporations. These three themes might be:

(a) *The earth and space*: its location in the cosmos, its properties as a planet and its comparison with the moon and other planets, which by 1967 will be under exploration. Here, the results of the International Geophysical Year could be illustrated, giving special emphasis to the theory of continental drift, which is likely to be under full investigation by 1967. Presentation of subject matter in this hall would very likely gain in effectiveness if it were given the form of a comparison of what was known in 1867, of what we have learned since and is, in 1967, in the state of knowledge; attempts at extrapolation of problems towards 2067 would be meaningful. Thus, in 1867, we knew the sizes and arrangements of the planets as they are shown in planetariums; we knew most of the geography of the continents; today, we also know much about the atmosphere and temperature of the planets and on earth, much about the depths of the sea, the interior of the earth, the origin of the earth's magnetic field, the nature of the ionosphere and the new phenomena that astronauts observe in space; the mysteries that in 1967 will invite solution will be the possibility of landings on Mars or on the moon, the possibility of exploring Jupiter, the concept of communicating with planets around other stars than the sun; on earth, man will seek to control the weather or earthquakes.

(b) *The resources of the earth*: First, the natural ones of water, soil, minerals, climate, animals and plants, and secondly those resources developed as a consequence of man's scientific control of nature: power, nuclear energy, mines, animal breeding, and industry. Here again, the natural resources could be presented in the successive perspectives of discovery and exploitation in 1867, 1967 and 2067. New resources awaiting development, such as the earth's internal heat, the exploitation of the riches at the bottom of the oceans, the development of new power plants could be presented.

(c) *The problems of man on earth*: Among these, hunger, disease, pollution and shortage of water are obvious and have always been enemies of man. In 1867, little had been done to control these, but in the

world of 1967, we can see how to overcome them. Many of these problems are man made; there is irony in this fact since the developments that have taken place in science and technology to overcome ancient problems have, in 1967, introduced new ones that are more embarrassing. Atmospheric pollution is an example.

Even more dangerous are new problems which arise to face us because urgent desires and instincts, built into our fabric in the past to protect us, are now a source of danger. Thus the desire to have children can lead to overpopulation. The love of tools and weapons to protect ourselves led to bombs great enough to destroy us all. The fear of strangers still leads to suspicion of foreigners when what is needed is brotherhood among men.

3. Finally the third stage of developing the theme of man in his world and environment will be to look at *Man the explorer*.

In the grand pattern of creation, biological evolution began long ago. But it was only yesterday that man emerged from the mammals with a better brain. In the new and still unused portions of that master organ, there were hidden capacities that would determine the destiny of the race of man.

Understanding came to him slowly. Thus he created human society, beginning with the protected family circle, then the tribe, the nation, the family of nations. He created tools, arts, science, rules of moral behaviour.

Creating speech, he began to teach his children. Mankind lost the racial memory that guides other creatures to instinctive behaviour. Tradition took its place.

Creating the art of writing, he learned to store knowledge and to record his experience for posterity.

Creating the new skills and arts, literature and philosophy, man finally turned to the study of nature, and added the art of experiment. *This gave birth to science and to the modern and powerful method of scientific research*. Having explored his environment and created human society and having given it the vast body of human knowledge, man must go on. He must move ever forward.

Human exploration, whether it be exploration of the earth or of the mind, past, present or future affords unusual opportunities for significant exhibits. Biological and physical research, the development of medical therapy or of mechanized systems, the visual and auditory arts, all these are explorations peculiar to the different members of the family of nations. Molecular biology, the theory of stress, the techniques of neurosurgery and the problems of longevity are fields of modern research that have special interest and actuality.

It should be emphasized that scientific research is not the only form of exploration in which man is engaged today. Humanity is also devoting many of its resources to *research in the field of culture and ideas*.

PLACE DES PEUPLES

The "Place des Peuples" will be the perfect site for manifestations of the various forms of national and international culture, a centre for festivals and restaurants, a fitting place to symbolize the mingling of nations.

One important element in the theme of man's community life, is his realization of the growing interdependence of individuals and nations; the following aspects of the human condition offer subject matter for interesting portrayal around the Place des Peuples:

- (a) the growing interdependence of individuals and nations;
- (b) the need for transhumanism;
- (c) the social position and condition of women.

It must be remembered that any individual will be at one and the same time the subject of the Exhibition and a visitor to it. He will see himself reflected as in a mirror, with all its attendant surprises and grounds for hope. The intention is not to set up a general Museum of Man, and some central themes should be chosen, which can arouse emotion, attract and yet disturb, while remaining educational.

(A) *The growing interdependence of individuals and nations*

Occupations constitute an excellent illustration of the interdependence which exists between individuals once the stage of familial society is past. They can introduce the notion of functional interdependence, which can be progressively illustrated as it appears in more and more complex societies. It can be shown how specialization improves humanity's lot by increasing production, encouraging development of abilities and thus increasing chances for happiness and survival. The search for perfection is one of man's inner drives; the man who completes a work of genius, or accomplishes a feat or great deed becomes an ideal for his fellow man, who redouble their own efforts towards full self-realization. We do not envisage a pantheon of thinkers, artists, saints or champions; we would prefer a vivid representation of the exercise of craft occupations as they relate to different societies; *thus the Canadian World Exhibition will include a fair devoted to occupations.*

One of the principal ideas contained in "Terre des Hommes" is the exaltation of man's occupations. Saint-Exupéry speaks of its importance on almost every page; "The requirements of an occupation transform and enrich the world." "The grandeur of an occupation lies perhaps most of all in its ability to unite men." The fair would show men at their work; men chosen from various occupations, some humble and undistinguished; the occupations would include the crafts, manual trades, technical trades, and even the professions. We find *this sort of portrayal preferable to a display of tools or product*, although it would not exclude exhibition of the earth's produce, to which man is linked by a kind of friendship. Alongside of the brilliant achievements of our era could be displayed techniques already outmoded in our eyes: for example, we could see how bread is made in different countries of the world; rugs could be woven in the visitors' presence; they could observe lens-polishing in a clock-maker's workshop, the assembly of electronic devices, etc. Statistical graphs could be shown, indicating, for example, average life span in terms of the diversification of occupations, and how this diversification is bound up with the quantity of energy available *per capita* in various eras.

Naturally, there are always the less glamorous occupations. Here would be the place to show that any occupation is useful which allows other human beings to accomplish more worthy endeavours. We could watch stress the fact

that some achievements, among those most profitable to humanity, stemmed from the thoughts of a solitary individual who yet identified with his fellow-men. The striking complexity of a group working together should be communicated—from the small team formed by a mason and a carpenter to the group of 20,000 required to launch a man into space. "To be a man," said Saint-Exupéry, "is to feel that one's own stone contributes to building the edifice of the world."

This can lead us to the idea of humanity on the march, of a transcendence of the human mind—the higher degree of awareness conceived by Teilhard de Chardin, a world being built by the joint efforts of all, straining forward together at the wheel.

Interdependence also implies *means of communication: language*, on the one hand from ideograms, the alphabet, algebra, graphic symbols, up to the symbolic codes of chemistry, electronics, road signs and others; *transport*, on the other hand, which should be treated on the plane of human relations, rather than deteriorate into a museum of inventions.

(B) *Necessity of transhumanism*

The growth of interdependence between individuals and people is an aspect of the process of coalescence which tends toward more and more complex systems and the concomitant enrichment of structures, functions and awareness.

This fact can be illustrated by examples of collective transnational undertakings in the cultural and professional fields: UNESCO, International Labor Office, international associations of chemists or jurists, etc. The growing interdependence between men is reflected in the need for expanded systems of government; it would be possible to point up the archaic lack of functionalism in certain types of government and the newly discovered value of *supranational governments*.

No civilization is possible without a certain degree of law and order to govern peaceful change. The *legal system* must adapt to new social needs and must seek to do so with a minimum of conflict. Jurisdiction must grow to the size of the problems to be solved: the regulation of world trade requires international authority in respect of tariffs, international investment requires a world bank and equivalent agencies. The elimination of war demands an international order to which the "sovereign" state is subordinate. The creation of this order is the greatest challenge facing humanity, for unless it is solved, la "Terre des Hommes" may become une "Terre sans hommes".

As jurisdiction grows and the size of governments increases, the legal protection of individual and minority rights assumes increasing importance. The *universal declaration of Human Rights of the United Nations* is the first international proclamation of man's basic freedom ever adopted. It has influenced all modern constitutions and its principles find expression in the laws of many modern states.

Behind this document, lies all the history of man's struggle, in every country, to free himself from the chains of tyranny and colonialism, a struggle which has produced the famous declaration or rights such as Magna Charta, the

Bill of Rights of the United States Constitution, the Declaration of the Rights of Man, and others. More and more, it is recognized, that all the advances of science, the conquest of nature and the achievement of technology are worthless, unless they are accompanied by an expanding notion of human freedom.

The International Commission of Jurists, the International Bar Association and similar bodies may be asked to propose methods for giving visual expression to these ideas. They would involve pictures of the World Court in session, reproductions of basic documents, etc.

When one form of coalescence exceeds optimum conditions, humanity must make not only a greater, but a new kind of endeavour to create a thought pattern capable of grasping the new reality. The Greek miracle, the discovery of the experimental method, the French Revolution, statistical methods—all were new endeavours, but each time the instrument of thought had to be recreated, contrary to acquired habits. Saint-Exupéry suggests: "To grasp today's world, we use a vocabulary developed for yesterday's world. The life of the past seems more closely tailored to our needs simply because it corresponds more closely to our vocabulary. Through the development of the theme of human interdependence and the need for transhumanism could be demonstrated the significance of the notions of liberty, equality, fraternity and human dignity.

EDUCATION can help to build a climate favourable to trans-humanism by developing the adolescent's aptitude to assimilate new forms of speech and thus new forms of thought. The extraordinary upsurge of education at all levels and in all countries and the development of continuing education could give rise to a study of the *techniques of learning*, an examination of the resources which nations invest in the organization of their educational system, and the greater depth of learning achieved by this community effort. A study of methods of selection and training of leaders would be of deep interest. The problem of *reeducating adults* to the new division of labour resulting from automation could also lend itself to magnificent presentation.

THE CANADIAN CONTRIBUTION TO THE EXHIBITION

As host nation, Canada will be directly responsible for a large share of the total Exhibition material presented; it will be her responsibility to provide leadership for the thematic development of the Exhibition while the Canadian presence should also be felt in terms of its general function as host nation, and in relation to the celebration of the Centenary of Confederation.

(A) *Canada, leader in the development of the theme.*

The responsibility of Canada gives her an opportunity to provide strong leadership in the thematic development of the Exhibition; Canada should take the initiative to insure that the various contributions that will be recruited will be channelled primarily into the areas of thematic presentation, rather than that of a superficial nationalism. This would involve a close cooperation with other nations sharing a particular interest in the subject, as well as those individuals and entities within Canada particularly qualified to contribute.

In order to ensure the tone and quality of the entire Exhibition, Canada should undertake the financing, organizing and construction of a significant number of Exhibition precincts devoted to definite aspects of the theme. Three

possibilities are presented, purely as examples of how this method could function:

1. The development of the Arctic lands in relation to human population and production; a spectacular presentation could be made of the whole Arctic question, involving the contribution of all the nations inhabiting the top of the world.
2. The phenomenon of the urbanization of mankind and the questions it arises about the possibilities of the "ideal city" as against the present reality.
3. The development of the arid lands in relation to the population explosion.

(B) *Canada, the host nation*

It is proposed that this function might be performed by the provision of a significant gathering place, possibly named "Place du Canada", which would serve to commemorate Confederation as well as being closely related to the "Pavillon d'accueil", wherein the host nation would welcome visitors to the Exhibition.

In dealing with the question of Confederation, the theme of unity in diversity should be dealt with; particularly in respect to the universality of this problem. Canadian unity should be presented not as a "fait accompli", but as a challenge and a search. This spirit of challenge and questioning, rather a self-satisfied sense of achievement, should also animate the presentation of all thematic material.

The "Place du Canada" will be the setting for many Canadian cultural manifestations, just as the "Place des peuples" would be so on a world scale. However, many of the more serious performances of theatre or music would be better presented in specially designed facilities within the City proper, such as "La Place des Arts".

Montreal and its environs provide a uniquely challenging and exciting site for a Universal Exhibition, if the "sense of place" is to be realized to its full potential, exploitation of the River, one of the world's great historical rivers, must be made by the arrangement of vistas looking outward from the Exhibition site itself and through an imaginatively planned use of waterborne transport.

The Exhibition should be linked with the complex life of the City itself. For example, a judicious use of "son et lumière" could make the harbour, the grain elevators, the docks and the seaway an essential and exciting revelation of the Canadian experience as part of the fabric of the Exhibition itself. The technique of "son et lumière" could be applied on a scale worthy of a Universal Exhibition by involving the City itself and its mountain in a relation of its historical developing along shore where merchantmen bring in wares and adventurers and the first houses on the river shore, protection of these behind palissades, appearance of the first church and commercial establishments, progressively developing along shore where merchantmen bring in wares and adventurers and return with fur; appearance of the cross on the Mountain; development of the City upwards up to and including the skyscrapers of the modern City.

* * * * *

“Then, if this vista is not a dream—if in reality we, the human beings of the 20th Century, are nothing else, scientifically, but the elements of a soul in search of itself throughout the Cosmos—then what, in truth, are we doing with our ridiculous disputes and our childish interests?—How can we argue?—How can we fall asleep? How can we be bored? What are we waiting for to open wide our hearts to the call of the world within us—to the meaning of the earth?”

(Teilhard de Chardin)

Schedule F
May 31, 1966

F. SPONSORED PROJECTS ASSUMED BY C.C.W.E.

	Capital Costs	Operating Costs	Total Expenditures	Asset Values	Salvage Values	Sponsorship	Revenue	Total Revenues	Net Cost
Stadium.....	\$ 3,855,000	\$ 1,524,500	\$ 5,379,500	\$ 2,000,000	—	\$ 3,855,000	\$ 1,720,000	\$ 7,575,000	(\$ 2,195,500)
Theatre.....	2,570,000	737,900	3,307,900	—	—	2,570,000	830,000	3,400,000	(\$ 92,100)
Art Gallery.....	2,080,000	612,800	2,692,800	—	—	2,610,000	—	2,610,000	\$ 82,800
Bandshells.....	275,000	—	275,000	—	—	275,000	—	275,000	—
International Trade Centre.....	600,000	402,000	1,002,000	—	—	670,000	332,000	1,002,000	—
Science Auditorium.....	360,000	102,800	462,800	—	—	360,000	—	360,000	\$ 102,800
Agricultural Complex.....	3,070,000	430,000	3,500,000	—	—	3,500,000	—	3,500,000	—
Youth Pavilion.....	525,000	175,000	700,000	—	—	700,000	—	700,000	—
Operations Control Room.....	540,000	545,000	1,085,000	—	\$ 100,000	540,000	—	640,000	\$ 445,000
Fountain in Île Verte Lake.....	400,000	—	400,000	—	—	400,000	—	400,000	—
Information Booths.....	220,000	—	220,000	—	—	—	—	—	\$ 220,000
Hospitality Center.....	260,000	46,700	306,700	—	—	306,700	—	306,700	—
Site Furniture Elements.....	250,000	—	250,000	—	—	250,000	—	250,000	—
Electronic Information Panels.....	1,700,000	561,500	2,261,500	—	500,000	2,261,500	—	2,761,500	(\$ 500,000)
Queue Control System.....	600,000	—	600,000	—	100,000	600,000	—	700,000	(\$ 100,000)
C.C.T.V. System.....	250,000	—	250,000	—	—	250,000	—	250,000	—
TOTALS.....	\$17,555,000	\$ 5,138,200	\$22,693,200	\$ 2,000,000	\$ 700,000	\$19,148,200	\$ 2,882,000	\$24,730,200	(\$ 2,037,000)

Note: The incorporation of these projects into the C.C.W.E. budget has resulted in an overall reduction of the deficit by \$2,037,000. This is due to the reduction by C.C.W.E. of any asset or salvage values that may accrue on disposal and profit from the operation of the entertainment structures.

Schedule G
May 31, 1966

G. COMMERCIAL CONCESSION PROJECTS ASSUMED BY C.C.W.E.

	Capital Costs	Operating Costs	Total Expenditures	Asset Values	Salvage Values	Sponsorship	Revenues	Total Revenues	Net Cost
Habitat '67.....	\$15,710,000	\$ 471,600	\$16,181,600	\$ 8,000,000	—	\$ 250,000	\$ 387,000	\$ 8,637,000	\$ 7,544,600
Activity Areas.....	5,800,000	23,300	5,823,300	—	\$ 250,000	—	2,020,000	2,270,000	3,553,300
Secondary Transit Systems.....	7,815,000	900,000	8,715,000	—	1,500,000	540,000	5,680,000	7,720,000	995,000
TOTALS.....	\$29,325,000	\$ 1,394,900	\$30,719,900	\$ 8,000,000	\$ 1,750,000	\$ 790,000	\$ 8,087,000	\$18,627,000	\$12,092,900

Notes: (a) *Habitat '67*.—The implementation of this project was originally planned to be undertaken by commercial interests with a long term lease on the land and favourable tax concessions. It is now being built by the C.C.W.E. principally as an exhibit and will be sold after Expo. with a consequent loss of the long-term financial benefits.
(b) *Activity Areas*.—Experience has shown that the restaurants in these areas cannot be leased back to concessionaires at a rate which will recover their capital cost to C.C.W.E. as had been originally planned.

Schedule H
May 31, 1966

H. LA RONDE ENTERTAINMENT AREA

	Capital Costs	Operating Costs	Total Expenditures	Asset Values	Salvage Values	Sponsorship	Revenues	Total Revenues	Net Cost
La Ronde Entertainment Area.....	\$25,849,950	\$18,049,110	\$43,899,060	\$21,622,000	—	\$ 250,000	\$30,486,468	\$52,358,468	(\$8,459,408)
Less: Sums included in original estimates.....	3,425,000	—	3,425,000	—	—	—	—	—	(\$3,425,000)
TOTALS.....	\$22,424,950	\$18,049,110	\$40,474,060	\$21,622,000	—	\$ 250,000	\$30,486,468	\$52,358,468	(\$11,884,408)

Note: Decrease in net cost or profit from this area, due to retention of all operating profits during Expo by C.C.W.E. and sale of the area after Expo at its depreciated capital value or demonstrated economic value.

Schedule I
May 31, 1966

I. ADMINISTRATION BUILDING

	Capital Costs	Operating Costs	Total Expenditures	Asset Values	Salvage Values	Sponsorship	Revenues	Total Revenues	Net Cost
Administration Building.....	\$ 5,525,000	\$ 713,300	\$ 6,238,300	\$ 5,525,000	—	\$ 608,400	—	\$ 6,133,400	\$ 104,900
Less: Sums included in original estimates.....	2,016,000	—	2,016,000	—	\$ 201,000	—	—	201,000	(\$ 1,815,000)
TOTALS	\$ 3,509,000	\$ 713,300	\$ 4,222,300	\$ 5,525,000	(\$ 201,000)	\$ 608,400	—	\$ 5,932,400	(\$ 1,710,100)

Schedule J
May 31, 1966

J CHANGES IN SITE PLANNING

a) Increase in Capital Costs

Introduction of canals including excavation, retaining walls	\$2,848,000	
Extra fill to enlarge exhibit areas	1,067,000	
Miscellaneous changes and modifications to land formations	390,000	
Extension and enlargement of Utility Services ..	1,000,000	
Additional landscaping	1,530,000	
Extension of site lighting	1,000,000	
	<hr/>	\$ 7,835,000

b) Increase in Salvage Values 750,000

c) Increase in Asset Values

Due to incorporation of asset values of C.C.W.E. improvements to Mackay Pier	3,101,000	
	<hr/>	\$ 3,851,000

Net Increase \$ 3,984,000

Schedule K
May 31, 1966

K UNDERESTIMATES

Road and Bridges	\$ 2,775,000
Utilities	573,000
Landscape Development	2,345,000
Building and Structures	2,246,000
Transit Systems	720,000
Temporary Construction Facilities	(1,110,000)

\$ 7,549,000

Less: Heating and Cooling Plants and C.B.C.
Parking Lot omitted

\$ 1,647,000

Net Increase \$ 5,902,000

Schedule L
May 31, 1966

I THEME PAVILIONS—ASSET SPONSORSHIP VALUES

It had been assumed in the original estimates that the theme pavilions would be permanent and an asset value of \$18,770,000 was carried in the revenue estimates. As the conceptual and physical planning proceeded, it became evident that due to their location, size and cost and also due to the cost of operating after the Exhibition, it would be wiser to proceed with the construction of temporary buildings.

To replace the resulting loss in asset values, it was decided to intensify our search sponsors for as many of the exhibits as possible and a target of \$21,740,000 was set.

Thus:

Sponsorship	\$21,740,000	
Loss of Asset Values	\$18,770,000	
Increase in Revenues		\$2,970,000
Operating and Maintenance costs of the theme exhibits were omitted from the original estimates. These have now been introduced and the increase is partially offset by the added sponsorship above		
		<u>\$2,720,000</u>

Schedule M
May 31, 1966

M SPONSORSHIP OF SMALLER PROJECTS

A careful review of the whole C.C.W.E. program revealed that a number of items such as plazas, site furniture, maintenance and operating equipment, bridges and miscellaneous buildings, would be of interest to sponsors with small budgets:

Pedestrian and Service Bridge	\$1,060,000	
Canal Bridges	1,175,000	
Communication and Security Equipment	822,000	
Sculptures	439,500	
Pools and Fountains	60,000	
Landscape Elements	843,100	
Site Furniture	287,100	
Equipment for Place d'Accueil	137,400	
Place d'Accueil—Ile Ronde	963,000	
Place des Nations	\$1,625,000	
		<u>\$7,412,100</u>

APPENDIX "D"

(Translation)

Mr. DELORME: Ladies and gentlemen, as the chairman has just indicated, I would like to speak to you briefly on two subjects in particular; first of all, on the status of the International Exhibitions Bureau and the International Convention relating to Exhibitions and, secondly, on the question of labour relations at the Exhibition.

Mr. Shaw, speaking on the question of the International Exhibitions Bureau, gave you a brief description of it this morning when he said that it was an organization of 33 countries, with two functions: the accreditation of countries wanting to organize exhibitions on an international scale and secondly, an organization for controlling the frequency of exhibitions. There are three types of exhibitions: Those of the first category, those of the second, and special exhibitions.

Ours belongs to the first category, which means that participating countries are obligated to construct a pavilion. This is what distinguishes an exhibition of the first category from one of the second.

Now, a word as to our relations with the International Bureau. Obviously, like all diplomatic relations they are very courteous but obviously, too, they give rise to certain debates, in particular, to one debate just concluded this past May, that is, at the beginning of the month, during the last meeting of the Council of the International Bureau. We had to discuss certain questions with rather important financial implications, first of all, the fees levied outright by the Corporation on the built-up area of the pavilions of foreign countries, secondly, the commission payable to the Corporation on the gross receipts of restaurants. There was also another question concerning insurance. I will spare you the details. I simply wish to emphasize that after several months of debate, we concluded an agreement with the International Bureau, an agreement which we have also had ratified by the college of Commissioners General for the section, at its last meeting in Montreal last week.

Which brings me to the subject of the college of Commissioners General for the section. Each participating country names a commissioner general and together these commissioners form a college which then elects a Bureau. This Bureau constitutes, briefly, a sort of executive of the college which deals directly with the general commissariat of the Exhibition. The attitude of the commissioners general for the section is obviously most practical because they are involved as we are in the organization of a given Exhibition while the attitude of the members of the International Bureau is on a more theoretical level. These delegates, representing the member countries, are as a matter of fact more concerned with avoiding the creation of precedents which could be invoked by later Exhibitions. So much for the International Bureau.

As for the legal aspect of the Corporation's activities, I must say that, in my opinion, we are within the law. From several points of view, however, the legal aspect takes on a rather unusual nature because we are dealing with foreign governments and, as you know, it is rather difficult to put a foreign government in the same legal position as an individual. It is a question then of signing

agreements which express good intentions on both sides rather than signing a document with the same judicial rigidity as is found in the legal documents in force on the North American continent. I do not mean by this that there is no work involved. On the contrary, the problems are multiple. In a field like that of labour relations, on which I would like to speak to you now, the problems are also of a very special nature. I would like to give you the background of this question. In 1962, when the Government of Canada was preparing its request to the International Exhibitions Bureau to obtain registration for the 1967 Exhibition, at that time the representatives of Canada, of the city of Montreal and of the province thought it fit to conclude an agreement in principle with the major union federations of Canada. At that point, it was obviously a question of agreement in principle and not of an agreement having to do with the methods of applying these principles. The major union federations then agreed that during the Exhibition, and during the period of preparation for the Exhibition, they would not resort to strike action. Clearly, Canada's brief before the IEB was thus strengthened because certain delegations had expressed some concern in this regard. As soon as the Exhibition Corporation was formed we re-opened negotiations with the labour unions, with the two major labour federations, and reached an agreement which we signed in November 1964.

The major characteristics of this agreement may be reduced to three: first of all, a promise on the part of the labour federations not to go on strike; in return, the Exhibition Corporation ordered, or promised to demand, unionization of all employees or labourers who would be working on the site. Such an absolute principle could not, however, be put into an agreement without some moderations. For this reason, we developed a process of compulsory arbitration which, while allowing work to go on without interruption, permits the amicable settlement of grievances. If at some point the parties cannot come to an agreement, the grievance is taken before an arbitrator whose decision is final and beyond appeal.

Another mechanism was worked out, a mechanism which allows certain exceptions to be made to the absolute principle which I originally set out. This mechanism, in point of fact, is assured by a committee made up of union representatives to whom we submit the exceptions we wish to have confirmed. We have as a matter of fact obtained a great many exceptions to the application of the collective agreement since its signature, and I venture to mention some of them briefly.

First of all, students and permanent employees of certain associations who will be acting as guides during the Exhibition. Technicians and specialists of foreign countries, employees of both the Canadian and foreign governments, and certain other persons, including professional photographers and, in short, any category of employees of a special nature. The very foundation of the agreement obviously covered the major divisions such as construction workers and restaurant personnel, etc.

In this field, exceptions are more limited. I must say in closing that since the signing of the agreement, an evolution has taken place not so much in the letter of the agreement but rather in the spirit of the people with whom we are negotiating. The union representatives have displayed a spirit of great cooperation. I say this not only to praise them, but in all sincerity, those people, having

lived with us for several months, have grasped the full significance of the Exhibition and how serious a work stoppage would be. Several people told us obviously that the collective agreement was a very valuable document just as long as there were no incidents or grievances, but this claim has been shown to be false, especially about two months ago, when the Montreal area was hit by a total strike of construction workers. Construction sites at Expo were absolutely unaffected precisely because these mechanisms of which I have been speaking did work. At the very outset of the strike the union leaders made a formal declaration that they intended to respect the collective agreement and that work on the Exhibition would go ahead as planned. I consider this clear enough proof of the good faith in which the union representatives have negotiated with us.

You are probably thinking right now of another strike which affects the Exhibition; the longshoremen's strike in the ports of Montreal, Three Rivers and Quebec. Obviously this question is beyond the jurisdiction of the collective agreement which I have discussed with you. Our collective agreement covers only the site. On this point, you are far better informed than I, since you received yesterday in the House of Commons a report from the federal minister of labour on the results of these talks. This is a problem of great complexity. At the risk of sounding trite, I will say quite simply that this strike cannot go on without seriously hurting the Exhibition. Construction materials for several pavilions are on board ships which cannot be unloaded. The Commissioner General and the Deputy Commissioner General have concerned themselves personally with this question, we have made representations to the Minister of Labour who has done his best to arrive at a acceptable compromise formula. Unfortunately his efforts have not yet produced the results we expected of them. We venture to believe that, within the next few days, we shall hear the news that a settlement has now been reached. I thank you.

The CHAIRMAN: Thank you very much, Mr. Delorme, and now I will call upon Mr. Jasmin, or his assistant, on the question of publicity.

(English)

Mr. SHAW: Just before I go, I would like to introduce one of our directors who was here a minute ago and has just walked out of the room, but maybe he will come in for a second. Mr. Fridolin Simard a director of Expo has very kindly come to be with us while we are appearing before you today.

The CHAIRMAN: Are there other directors here who are joining with us.

Mr. SHAW: Not at this moment, I do not think.

The CHAIRMAN: We welcome you to our hearing, Mr. Jasmin.

Mr. JASMIN: Sir, an exhibition is first of all, people, and it is my job to bring people to the exhibition and additionally to tell people about the exhibition whether they can come to it or not.

We cannot do this alone. Our budget is too small, our people are too few, and our time is too short. It can only be accomplished by a collective effort of

the governments involved, through their various agencies; by the private exhibitor and by friends of the house. The response to our appeal has been occasionally overwhelming, non-existent here and there; on the average very good, and we continue this appeal for help in bringing people to our exhibition and making it known throughout the world.

We have done, I think, a good job of letting Canadians know of the exhibition. We have succeeded in making the exhibition acceptable to them; this is a political situation which exists in any country where an exhibition is held. We managed to get them interested to the point where they now indicate they wish to visit it next year in greater numbers than we originally anticipated. We cannot rest on our laurels; we must continue plugging until the end; we must also promote very strongly in the United States of America, where the exhibition's promotion program is starting to take effect.

As you know, we were severely hampered in our U.S. efforts by the presence of the New York World's Fair. We had a product to promote in 1965 which was in direct competition with an existing product. Nineteen hundred and sixty-six was the year to do our work, and we are now doing it.

We have a gigantic promotion which opened in May in Macy's, Herald Square in New York. In the centre of the space given to the exhibition, we find a gigantic scale model, 15' \times 25', which is now our property. Included in the Macy's promotion, are American Express, Hertz Drive-Yourself, Air Canada, and the Canadian Trade and Commerce Department, through the Canadian Government Travel Bureau and on behalf of The Centennial Commission. Once the Macy's promotion is over, a month from now, the same display will travel to seven other locations in the U.S., and there is an open invitation here to our exhibitors to join forces with us in any, or all, of these U.S. promotions.

Canadian promotions are also under way. We have just launched a program similar to the Macy's effort, with Eaton's of Canada. This promotion is presently running in the Toronto area, and will travel across Canada. Many other promotions in Canada, in the U.S. and in the world are offered us, and when possible, taken immediately.

Mind you, there are many ways of skinning the cat. In this instance, the cat is our advertising and promotion dollar, which we wish to stretch as far as it can possibly go. Here is another example, American Express, who are our wholesale distributors of Expo passports in the United States, have joined forces with us in a full-page four colour advertisement in *Life Magazine* (national). Additionally, we are inserting a little booklet in *Life* (regional), covering the states within the 600 mile radius of Montreal. American Express and we have bought reprints of the booklet on a cost-share basis for distribution in the U.S. American Express is doing this for no other reason than the most selfish. We appeal to Canadians to do the same, on the same basis, although Canadians have an additional interest in our project for national pride.

We have asked Canadians to join forces with us through dozens of ways. Include Expo in their present advertising; use Expo for their institutional advertising; add a line in their present advertising saying "Visit EXPO '67 in

Montreal, Canada"; use Expo on stationery; buy a slug for metered mail; use Expo pavilions on calendars; give away premiums carrying both company identification and Expo, and those who have catalogues can get their new models photographed against an Expo background, and quite a few of those are in the works.

There are so many ways by which industry can associate with Expo that a reading of the list could take the rest of the afternoon. It is only bound by imagination, rarely by money. Here are a few more examples. I am telling you all this, because I feel that, in addition to learning that we are getting help from outside sources, you may have friends who will ask you, "What can I do to help Expo", and we hope to give you some answers. Molson's, for instance, has billboards in the United States. They say, in effect, "When in Montreal, ask for Molson's". This year they will say, "When in Montreal to visit Expo '67, ask for Molson's". It is a slight cost to them, and a tremendous boost for us.

The Canadian carriers and the foreign carriers will soon be carrying our Expo message. We had hoped they would do it sooner, but they felt that to tell potential visitors to Canada in 1965, "come to Canada in 1967", meant really, "do not come to Canada in 1966", and they have quotas to meet, and planes and ships to fill. We expect this to be under way by August of this year.

We have invited companies to sell Expo passports to their employees and the response has been terrific, and Mr. Beaubien will no doubt be telling you about that. One company has even gone further. Catelli offers season passports to all of their employees wherever they may reside. Mr. Bienvenue was the first commissioner general of the exhibition. It is a very generous gesture on his part.

Two Montreal radio stations will soon offer Expo ambassador kits, an envelope containing promotional literature and stickers for their cars to all listeners who want to promote Expo during their coming summer holidays.

There is a mining company in Montreal who wants to buy one-day passports to give away to its customers all over the world. We are printing a card for them and for others who would like to follow this example. "Be my guest at Expo", the card says. It is signed by the president of the firm. He does not care whether the tickets are used or not; the recipient figures that he got a \$5.00 gift; to the company it costs actually only \$3.60; it is too little to be considered bribery, and large enough to underline the backing this company gives to a national project.

Mr. Sharp said something recently to the effect that the American companies, with Canadian interests, should act more as Canadian companies. This is a hint we are taking up by suggesting to many parent companies, that they can do something for good old Canada, including us in their advertising, for example, and what have you.

There are hundreds of ways by which people can associate with Expo. Several will tell you, "we are not interested". In some of them we are not, not on their terms. You know the type, "I will do a huge promotion for you, I will sell red balloons with Expo symbol, it is a terrific plug for your Expo and for your Centennial". We said "Okay, but you have to come across". If the guy makes \$100,000 with his balloons, we do not expect to be left holding the string.

The Montreal Canadiens are getting in the act. They do not need us, but they are happy to associate. Next year, the Expo symbol will be in the centre ice of the forum. Coffee at the forum will be served in paper cups bearing the Canadiens and the Expo crest. We have been offered T.V. time by the sponsors in colour. The first T.V. program on the CBC will be on Expo on the French network. CTV is also giving us time. On the 28th of April, they ran an hour long show with Pierre Berton sponsored by xerox. It unfortunately ran partly against the Stanley Cup playoffs, and perhaps that is why the Canadiens are joining forces with us; they are seeking forgiveness.

Telephone books across Canada will carry the Expo message in 1966; it has just started in Toronto this month. If you have had a meal in the province of Quebec, you will notice that your check is brought to you with a message from Expo '67; 175,000,000 of those were printed, and the new one will carry the passport message; 200,000,000 will be printed.

License plates in New Brunswick and in Quebec will carry the Expo message. If all the work stopped now in this field, we would have more than six billion messages, and many examples are on that card, where Mr. Break, Deputy Director of Advertising is, which contain wrappers for sugar, wrappers for soap, cash register slips and this is only the wrapping paper promotion. This is only a very few of the hundreds of promotional ways by which we get the Expo message across without any cost to us. It is of no direct cost to us. The indirect costs are important; all of these represent hours of meetings, letter writing, clearing of policies. Today the job is quite easy, because we have precedents to go on, but you should have seen us in 1964.

(Translation)

Our information programme is another thing which costs us practically nothing directly. In the last six months we have been visited by more than 2,500 reporters from outside Montreal. Some have come to us from abroad, brought here by inauguration flights, a gesture made by the airlines with regard to the Exhibition. Each of our visitors received the necessary information, an information kit stuffed with pamphlets. We have also sent similar information kits to news media all over the world. 1,500 newspapers and radio stations in 70 countries have received our pamphlets. In February and April we sent special pamphlets on Expo a year before its opening to some 2,500 news media in Canada. The results reflect our efforts, press clippings and radio-television reports are coming in to us by the thousands and less than four percent of these reports are unfavourable to us. A New York reporter, a specialist in exhibitions, he has seen 14 since the Brussels World Fair, told us that our publicity services were the best he had ever seen. Since moving into this building, we have added this room, which is the press room. The working equipment for the visiting press includes, in the back, a sitting room, just beside it a briefing room on the other side of the entrance hall, which holds some 175 people, a teletype room, a photographic centre with a dark room, 9 radio studios, 4 interview rooms for radio and television. This last equipment which I have just mentioned will be ready for the beginning of 1967, that is for the month of January. We have press rooms at the Stadium, at the *Place des Arts*, at the *Place des Nations*, in The Garden of Stars. Add to this equipment that offered by the CBC for television and radio visitors from Canada and all over the world. You really have something

impressive. The main idea of all this is to make Expo available to everyone, even to those who will not be coming.

We were also sending things out directly to the public; we have a mailing list of more than 100,000 names to whom we send information as often as we can produce it. Over and above this, we have distributed to date 5,250,000 pieces of publicity on Expo in Canada, the United States, Great Britain, France and elsewhere. In the publicity services, we have answered 35,000 letters seeking information. We have started publicity campaigns by mail and produced 10,000,000 copies of our last information folder. Beginning in June 1966, we will be using the electronic service of the federal Travel Bureau to answer all our letters. This machinery can answer some 54,000 letters a week, writing them individually, answering questions, distributing folders, not only on Expo but also on Montreal, the provinces and Canada, without any human intervention at all. We have inaugurated a telephone service in conjunction with Loge-Expo. The public calls 397-8397 and is answered in French, English, Italian, German, Spanish, Portuguese, Breton, Hebrew or Hungarian. The six girls now working 7 hours a day, 5 days a week, have received more than 15,000 calls in the past 5 months. We are preparing for the Exhibition when we expect several thousand calls a day. At that time we will have 75 operators.

To keep all this in good working order, to keep everyone well informed, to find new enthusiasts, to attend to earlier contacts, to keep up with our job, demands constant effort. We have created a new service, a public relations service within the public relations department. Its job is to establish liaison and co-ordination in Canada, the United States, and the world. We are receiving fantastic support but we always want more. We are often told that we are working too hard, it is true, but it is not the work we are doing that is hard on us, but rather the work we cannot do, the letters we do not have time to answer immediately, the projects we cannot follow up, the ideas proposed to us that we cannot accept because we cannot carry them out.

We have led Canadians from all parts of the country to work together on an international project; we are working with groups which viewed the Exhibition with apprehension, the apprehension that we wanted to crush them: these groups are now among our most ardent supporters; we are giving hundreds of Canadians the opportunity to display their talents, to make an important contribution to the country and we are proud of this achievement. It will perhaps be among the most important achievements of Expo. Than you.

The CHAIRMAN: Thank you, Mr. Jasmin, for your stimulating contribution. Now, I shall call upon Mr. George Hughes, to speak on the business Development Bureau. Mr. George Hughes, Business Development Bureau.

(English)

● (3.20 p.m.)

Mr. G. F. G. HUGHES (*Business Development Bureau*): Thank you, Mr. Chairman. Gentlemen Expo '67 claims many firsts. One of them is the business development bureau which offers a special service to a special category of visitors, the businessman.

The services offered for the first time at a universal and international exhibition of the first category, recognized one of the basic motives of all participants, both government and industrial, to enhance the country's, or the industry's image in the eyes of the customer both actual and potential. When the bureau was first set up, the job, as we saw it, fell into three parts: first, a promotional program abroad; second, promotion in Canada and third, the provision of physical facilities to provide the services during the six months of the exhibition.

With respect to the promotional program abroad, we have had the most close collaboration from the Department of Trade and Commerce in Ottawa, particularly through the trade commissioners' service and the some 66 posts in foreign countries. The idea was to approach the business community in the countries around the world in a manner which was personalized as opposed to the mass approach which has just been explained by Mr. Jasmin. This has been carried out by means of an individual letter to leading business executives in the countries participating in the exhibition and in addition, an approach to the leading business associations in those countries to solicit their help in reaching their members. Some 15,000 invitational letters of this individual type have been sent or are shortly on the way. The idea was to start at the Antipodes, so to speak, and work back to Canada. The farther away the person is, the more time he must have at his disposal to plan a trip to Canada in 1967. These letters were accompanied by brochures on the exhibition and on the services offered by the bureau, brochures in French, English, German and Spanish.

Subsequently, we have furnished our trade offices abroad with registration forms on which the business visitor can indicate his interest, his intention to come, and his interests while in Canada in terms of business. These registrations form the key to our advanced work to be done in preparation for the visit of an individual or a group. What we have had good result with are the approaches to persons abroad in respect to organizing group visits of business people, and we are greatly encouraged with the inquiries we are already receiving from a number of the countries, particularly in Europe.

The second phase, as I mentioned, is the promotional phase in Canada, which is already started and our object there is to develop a truly host attitude among Canadian business leaders and business and trade associations. This work has now reached a stage where in 16 cities we have what we term "welcome committees" where the Chamber of Commerce, if it is a capital, the department of trade and industry, any local branch of the Canadian Manufacturers' Association or the Canadian Export Association, industrial commissioners, are all brought together and agree to work in concert to make certain that a businessman, regardless of his interest, whether import, export, investment and so on is welcomed by a chairman of this committee and on him we will depend so that when we refer a man or a group to him the person or group will be given the proper treatment when reaching that particular centre.

In all of this, we have had the collaboration, the full co-operation of the provincial departments of trade and industry and we will be working very closely with them not only in the lead up phase, but during the exhibition, because all of these departments will be represented on the exhibition grounds, either in our own facilities or in the pavilions of the different provinces.

One of the items of our promotional program is that we have on a continuing basis furnished to each of the participants in the exhibition, national, provincial and industrial, the names of the people abroad that we have approached individually so that, in their turn, if they so desire, they may approach the same people with an invitation to Expo to visit their pavilion and we think that by this means the number of our visitors will be increased.

Another aspect touched on by Mr. Jasmin is our efforts to encourage Canadian companies with international connections to invite either their principals or subsidiaries, as the case may be, and their agents abroad, to visit the Canadian company in 1967 to help celebrate the national birthday of Canada, and of course to attend the exhibition and witness the Centennial celebrations across the country. In all cases where businessmen have serious interest either to cement or increase or inaugurate their business connections, they are invited to use the services offered in the international trade centre.

We believe that not only will Expo benefit by the increase in the number of visitors, but much good will ensue for the Canadian companies concerned.

The third phase deals with the actual physical facilities available on the site. As their participation in the exhibition the Canadian Bankers' Association representing the 8 chartered banks of Canada, are sponsoring the international trade centre, a separate building which will house the administrative and counselling services of the bureau, the Expo club, as well as provide an area for the trade and industrial representatives of each of the banks. The building now in construction is located downstream from the Expo theatre which is the next building from this administration building. It has, therefore, a very convenient location and we plan that it will be possible for persons visiting from the city to come by taxi direct to the building and this will be particularly advantageous for the foreigner who has already his passport or for the member of the Expo club which I will refer to in a minute.

The building is not a large one, but with its 20,000 square feet it will provide areas for office space for the bureau's staff and the trade industrial representatives from the Department of Trade and Commerce and the Department of Industry. It will provide for offices, for a representative of the two provinces, who requested space in response to our invitation that was extended late last summer.

The chartered banks that I mentioned, will also each have their own office with their industrial and commercial development representatives. The Expo club, we feel, is a really fine feature of the service, occupies an important segment of the building and this will provide dining room facilities and a lounge where visitors from abroad and from Canada may meet and carry on their discussion in relative privacy and in a pleasant and sophisticated atmosphere. There will be a commercial library or reading room which will include trade and industrial directories, business magazines of Canada and the other participating nations as well as leading newspapers from around the world. There will also be a number of conference rooms which, when put together by means of sliding or folding partitions, can be arranged for small or larger groups to conduct discussions, seminars and this room, when opened out, will also double as a cinema for the showing of trade and industrial films. We are in active communication with the participants, the national participants, to organ-

ize trade seminars and discussions in association where possible with the national day celebrations. Our basic program during the operational period is aimed to insure efficient handling of business visitors and to assist them in gaining contact with appropriate Canadian businessmen. To accomplish this process in reverse we will advise all participants of the arrival of expected visitors. By maintaining close contact with the commercial representatives of participating nations and industrial exhibitors we shall be in a position to render maximum service to our participants as well as to the Canadian commercial community.

One feature of our program is what we term the contact reception, where visitors of the day will be invited to attend in order to meet Canadian members of Expo club and vice versa. Contact receptions are planned for twice a week during the entire course of the exhibition.

Another program which is in the planning stage, is the Maclean-Hunter lecture series, a feature which has been sponsored by the Maclean-Hunter publishing company, and which involves fourteen lectures through the course of Expo by world-recognized authorities in given fields, generally public affairs, if you like, but more specifically in the fields of economics, international trade, finance and so on. We believe that this feature will link our efforts in a very appropriate manner with the theme of the exhibition, "Man and his World". These lectures will be delivered in the Dupont of Canada auditorium which was mentioned earlier this morning in Mr. Shaw's briefing.

Well, our program is motivated by a sincere desire to exploit to the maximum the possibilities in trade and industrial development for Canadian interests, we do not intend to place a narrow definition on our tasks but will undertake as representatives of the host nation to assist liaison between business visitors from other exhibitor countries than Canada when this need is indicated. We realize that our good offices in this regard can only impress our friends favourably. The problems which face us involve preparations for adequate services and interesting program to cater to a normal flow of visitors. Sufficient flexibility must be built in to cope reasonably with greater numbers than expected. Forecasting the probable load is difficult. But one thing is certain, the number of foreigners visiting Canada in 1967 will be greater than ever before. Five million will come to Expo from the United States. We have estimates from consultants that about three hundred thousand people from Europe will visit Expo. Observations from trade commissioners and other correspondents abroad indicate that group visits of businessmen will be higher than originally forecast. Already over 200 conventions and congresses are booked in the Montreal area through the six months of the exhibition. Of these, over sixty represent business and financial organizations or associations; many of them international in scope. And they represent an expected attendance of about 50,000 people. The program of the International Trade Centre is shaping up well. We believe that if conscientiously carried out and adequately followed up, the program will secure lasting benefits for Canada as well as for the other participating nations. Thank you.

The CHAIRMAN: And finally to complete this stage of our proceedings, I will call on Mr. Philippe de Gaspé-Beaubien who is going to tell us about the operations part of the program.

Mr. BEAUBIEN: In five minutes, Mr. Chairman.

(Translation)

Mr. PHILLIPE DE GASPÉ-BEAUBIEN: The last time we met, we undertook, in the development service, to do three things. First, to try to show Canadians what the world has to offer at a given point in history. Secondly, to try to show our visitors from all over the world Canada's contribution, at a given point in history. Thirdly, to try, in our own way, to leave Canada a little stronger after the Exhibition than it was before. We have accomplished a great deal since that time and I would like to review briefly what we have done since our last meeting.

After long negotiations, we have succeeded in granting to date thirty major restaurants within the pavilions. After appealing for offers, according to well laid out specifications, we have established more than thirty major restaurants elsewhere, as well as 65 snack-bars on the Exhibition grounds.

We have written out specifications for shops. We asked for offers and we are on the point of granting 300 shops to Canadian and American developers before the end of this month. 78 shops have been reserved by the different participating countries throughout the Exhibition and 29 shops at the Carrefour International. With all this, at moderate prices, we expect to be able to make, in the course of the Exhibition, on this site alone, more than 200 million dollars, in 183 days, and the Corporation's direct income through these concessions, will be in the neighbourhood of 50 million dollars.

We have granted the contract for the official guide to the Maclean Hunter Publishing Company. It is estimated that more than a million of these items will be sold, if not two million. In this guide, we set aside 60 pages for the Centennial Commission so that in the guide we will be selling on the Exhibition site, the visitor may find all the other things he should see during his stay in Montreal, at the world exhibition.

Licences have been granted for the manufacture of fifty products like those you see before you and we have fifty more under investigation to be granted a few months from now. Over and above this, we have granted, as Mr. Break has told you, 400 promotional uses. To date, we have poured into the coffers of the Corporation, in cold hard cash, for products, like this one, more than \$160,000, which we have already received.

(English)

With five hostesses, we have been able to organize over 700 visits in this corporation last year and at the rate we are going from the first three months or four months of this year, we think that we will go over triple that amount, over 2,000 organized visits to groups such as yours giving them a briefing. Orientation on the site is one element that we have been concerned about. We have researched New York and we have found out that though there are many things that people like there, one of their major frustrations was lack of orientation. We have taken specific steps: here are a few. There will be throughout the site of the exhibition information panels where people can get information on where

they are at the present time. Fifty of these sectional maps will be distributed throughout the site. We will have twelve information booths with trained hostesses to give information on a 24-hour basis, practically. We will have concessions teleguide information which you can get at the small adaptor which you are listening to now, stepping into a round centre in the middle of a given area and information will be given to you as long as you are in that certain area, what is in front of you, what is to the side of you. As soon as you walk out of there, there is no more information dispensed on the site. We have twelve electronic panels that we are planning on the site of the Exhibition; they are 45 feet in width and 25 feet in height and we will have there direct information on the site of the exhibition, of direct interest to you in order to prevent you from walking from one side of the exhibition to the next which is three and a half miles and arrive there to find that there is an hour waiting time. You will be able to see posted on these roll up boards the waiting time of all the pavilions so that you can plan your day. We have organized for the first time in the history of exhibition paid visits and organized visits to the site of the exhibition. It is a very difficult task, but we are doing it. We also have ticket dispensing machines, at the gate of the exhibition that we are planning on. You just take two or three tickets for a given area if you wish to have a reserved seat, so you do not have to wait in line. Also we have this information central control board where we are minimizing the frustration of visitors as well as entertainment by break artists to a given area where people are waiting in line. So the back of a little jeep will open up and people will entertain you and get you to sing and forget that you are in line for a few minutes.

We have issued to date over 25,000 Expo voyage copies. It has never been done in the history of any exhibition or world's fair. It goes to every travel agent and every transportation company of importance in the world. It gives information about Canada, passports, regulations, weather, what to wear, accommodation, centennial activities in Canada and this has been received with a great deal of enthusiasm by travel agents throughout Canada and the rest of the world. We have, as Mr. Hughes has mentioned, over 261 congresses booked now. There are over 115,000 people who are booked now to come to the exhibition.

(Translation)

We hoped to co-ordinate the problem of accommodation. We have created Loge-Expo which group hotels, motels, apartment buildings and institutions. We had a study done by a Winnipeg company, Tradacon Research. The directors of this company told us we would need 131,000 units. To date, we have, right now, in a radius of 50 miles of Montréal, 68,000 units in commercial hotels and motels, 13,500 units in apartments; 12,000 units in institutions. We have 9,000 additional apartments under construction this year; and some 40,000 units in private residences. To date we have more than 160,000 units we can count on, to meet a demand of 131,000. Hence, the problem of accommodation is not serious. It is a problem, but not a serious problem.

(English)

We have 161,000 bed nights available. It is a term we use in the trade. It means one bed for one night for one person.

(Translation)

Moreover, the province of Quebec has introduced proposed legislation which helps us enormously. Commercial institutions will freeze their prices starting June 1st. This means that from the first of June hotel prices cannot be raised during the entire course of the Exhibition and Loge-Expo has received almost universal control over individual accommodations, in private residences. Anyone wishing to rent a room in a private home must go through Loge-Expo unless it rents for \$5 or less.

(English)

In the three months since we started this Loge-Expo office over 9,000 people have been placed through our offices. We have 15,000 bed nights that have already gone through our offices and been allocated. We have 125 letters that we are receiving daily and we are available to resolve this problem. We assure you that there is not going to be a problem of accommodation. As a matter of fact, we have a motto in our shop that we guarantee that nobody will come to Montreal and spend a sleepless night, and in order to make sure that this is true, if we cannot find a bed for them we volunteer to stay up and have fun with them for the rest of the night so they will not forget it.

Sale of passports, a very original idea that has been taken up by commissioners general and by the public in general. We were planning on selling not half of what we really sold. In New York, after one year of sale, they managed to sell \$1 million worth. In seven months, in your country, in Canada, there are over 8,500 outlets selling these passports now, over 3,000 in the United States of America. To date, after seven months, we do not have a million dollars sold, we have got three million dollars sold and in the bank. In Canada, we have on consignment basis, distribution in banks and financial institutions only \$3,800,000. In the United States we have \$3,700,000, on top of this, and we have a commitment plan where companies assigned and agreed to commit themselves to buy a certain quantity. They signed and committed themselves not to \$3 million but to \$13 million signed, now in our books. If we add all this up and it is not all sold yet, but if we were to add it up, it comes to over \$20,000,000. This is an indication of the confidence that the people of Canada and the world have in our Exhibition. Our objective was by February 1967 to sell \$22 million.

(Translation)

We have done a great deal with reference to entertainment. We are now completing negotiations with international troupes and we are just now beginning the same negotiations with regard to popular entertainment. We are planning to bring, here, to the Exhibition all Canadian professional groups of international calibre.

(English)

Progress in arranging the world festival is very encouraging. I am sorry I have to go so quickly but I am usually crammed for time because all my associates go over their time. Everywhere in the world, the festival has been greeted with enthusiasm. Here is a partial list of the renowned artists and companies which have agreed to participate in the world festival. No less than seven great operatic companies will visit Expo. From Austria will come the Vienna state opera. From Italy La Scala de Milan. From the United Kingdom, the English opera group of Benjamin Britten. From Germany the Hamburg

opera. From Sweden, the Royal Stockholm opera. From Canada the Canadian Opera Company based in Toronto and the Montreal Opera Company with new productions in Faust and Othello.

In total, over 2,000 performers and technicians will visit Montreal for opera alone. Eleven renowned symphony orchestras have either completed their agreement or planned to appear in the exhibition. From Australia will come the Melbourne symphony. From Vienna the philharmonic orchestra will give a series of four concerts in addition to its appearance in the orchestra of the opera. Czechoslovakia is sending the Czech philharmonic. From Paris, the national orchestra of France. The famous Concertgebourn will represent the Netherlands. From the United States, will travel the Los Angeles philharmonic and negotiations are well advanced for the San Francisco symphony. Canada's Toronto symphony will appear in the festival and of course Montreal symphony will perform both on the stage and in the orchestra pit. From Switzerland, l'Orchestre de la Suisse Romande.

The magic world of dance will be represented by nine of its greatest companies. The Company of Ballet du 20^e siècle will cross the Atlantic for the first time from its Belgian home. The United States will send the New York city ballet. And Britain contributes the royal ballet. Canada will be represented by three companies; the National Ballet of Canada, les Grands Ballets Canadiens and the Royal Winnipeg Ballet. From France will come the Paris opera, complete ballet company and from the United States, the Martha Graham dancers. Visits of many famed theatrical companies have been arranged and we can announce amongst others today Jean-Louis Barrault. Le Théâtre de France, will open the new 1,300 seat theatre in Place des Arts and Sir Laurence Olivier's National Theatre of Britain will provide the climax to the season in the same theatre. Belgium is sending two companies, the National Theatre and Le Rideau de Bruxelles.

Canada will present both French language and English language theatre with the Théâtre du Nouveau Monde, the Holiday Theatre from Vancouver, Anne of Green Gables from Charlottetown, Le Rideau Vert, the Stratford Festival Company. Switzerland will be represented by the Théâtre de la Suisse Romande; discussions have begun with Greece for the presentation of a Greek classical theatre and Italy has been invited to present Teatro Stabile de Genoa. The United States will present the Music Theatre of Lincoln Centre demonstrating American stage musicals and this is only a partial list but it illustrates the range of dramatic presentations in the world's festival. From Israel, the Bachiva modern dance and opera ensemble will represent orchestral, operatic and ballet performances. From the Soviet Union, the red army choirs—over 200 strong—will present their program in the early part of the exhibition while the Festival Company of U.S.S.R. comprised of 200 artists, will appear later in the season. The Viriovka Ensemble of the Ukraine will travel to Montreal with another group of 20 distinguished solists of the Ukraine. From Byelorussie will come another special group. Other musical attractions will contribute to the variety of our program. In addition to the Hamburg opera, Germany is sending us the Bach choir and orchestra of Munich comprising 135 artists. The United States is pursuing a plan to present the Mormon Tabernacle choir.

Chamber music will play an important role in the Festival. From Britain will come the Bath festival orchestra under the direction of Yehudi Menuhin and including leading British soloists. Both the Czech chamber orchestra and the Zurich chamber orchestra will visit the world festival and Canada will present the McGill chamber orchestra under Alexander Broth. Distinguished soloists are coming from many nations and there is no time for me to illustrate these, but here are a few examples, Bach Choir of Greece, Petrov from the Soviet Union, Michelangeli of Italy and Maureen Forrester from Canada.

Folklore companies are visiting from many nations and among these are the Omagang from the Benelux, La Troupe Nationale Folklorique from Tunisia, the folklore spectacle from Switzerland and a specially produced company from Venezuela, to name only a few. Discussions are under way with Ceylon for its dance in the music panorama and talks have been initiated with Thailand concerning the Royal Thai Dancers.

There is only little time to mention a few of the many sport events which are featured in the festival. Especially the Europe vis-à-vis America's track and field meet, the international soccer tournament: Countries involved in these presentations have been most co-operative in this area. Progress on the international film festival has been very satisfactory. Agreements within the regular international conditions governing such events are proceeding in association with the Montreal film festival.

Finally, we can report that many nations have agreed to send major contingents of specialized performers to a great spectacle that is being staged in the automotive stadium, a military tattoo, a world horse spectacular, a great western rodeo, the man, the daredevil, and the summer spectacular on which we plan to make enough money to subsidize the other more cultural elements. Popular bookings have started now and they are processing very well. Amateur participations now booked from all over Canada total 56 groups; we expect another hundred to be signed up. All in all this represents over 5 million individual tickets that we must sell. If we had to pay the costs for this total festival, the cost of bringing these people here and the cost of their salaries it would cost the Canadian government over \$30 million; the cost to you \$1 million, no more.

Gentlemen, we have done a great deal but we have got a great deal more to do. Thank you very much.

(Translation)

The CHAIRMAN: Thank you, Mr. Beaubien, for your impressive statement.

(English)

Now, gentlemen, before we begin our formal session, I suggest we stand up and have a seventh inning stretch without wandering out and then we will begin our formal session.

(See Evidence, page 375).

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

THURSDAY, JUNE 2, 1966

Respecting

Estimates of the Department of Trade and Commerce, 1966-67

WITNESSES:

From the Department of Trade and Commerce: Messrs. T. R. G. Fletcher,
Assistant Deputy Minister; R. W. MacLean, Director, and G. E.
Anderson, Assistant Director, Standards Branch.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,
Bastford,
Cameron (*Nanaimo-
Cowichan-The Islands*),
Cashin,
Chrétien,
Clermont,
Coates,

Comtois,
Flemming,
Grégoire,
Hees,
Irvine,
Lambert,
Lamontagne,
Leboe,

Lewis,
Macdonald (*Rosedale*),
McLean (*Charlotte*),
Monteith,
More (*Regina City*),
Munro,
Stafford,
Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, June 2, 1966.

(15)

The Standing Committee on Finance, Trade and Economic Affairs met at 3:55 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Andras, Chrétien, Clermont, Comtois, Gray, Irvine, Laflamme, Lambert, Leboe, Macdonald (*Rosedale*), McLean (*Charlotte*), Monteith and More (*Regina City*) (13).

In attendance: From the Department of Trade and Commerce: Messrs. T. R. G. Fletcher, Assistant Deputy Minister; L. J. Rodger, Comptroller-Secretary; R. W. MacLean, Director, and G. E. Anderson, Assistant Director, Standards Branch.

The Committee resumed consideration of the Main Estimates of the Department of Trade and Commerce, 1966-67.

Mr. Fletcher made a brief statement in answer to questions raised at the last meeting.

The Chairman called Item 20:

Standards Branch, Administration and Operation \$3,922,550.

Mr. MacLean made a statement concerning the operations of the Standards Branch, and was questioned, Mr. Anderson assisting him in answering questions.

Item 20 was carried.

At 4:30 p.m. the Committee adjourned until Tuesday, June 7, 1966 at 11:00 a.m.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, June 2, 1966.

● (3.45 p.m.)

The CHAIRMAN: Gentlemen, I would like to now call the meeting to order. On our agenda today is Vote No. 20, Standards Branch.

DEPARTMENT OF TRADE AND COMMERCE

20. Administration and Operation, \$3,922,500

Before calling upon the director of the standards branch, or the assistant director, I would like to ask Mr. Fletcher, the assistant deputy minister, to make a comment with respect to our hearing on the tourist bureau.

Mr. T. R. G. FLETCHER (*Assistant Deputy Minister, Department of Trade and Commerce*): Thank you, Mr. Chairman.

I should like to report, sir, that in response to the request for a sample array of the advertising employed by the Canadian government travel bureau, samples were sent individually to all members of your Committee under date of May 30. In addition, sir, Mr. More, a member of your Committee asked a specific question about the record of performance of the San Francisco office of the travel bureau since it was established in 1961. I have a letter addressed to Mr. More here which perhaps you would accept on his behalf. Do you want me to read it into the record?

The CHAIRMAN: Well, I believe the suggestion was that this information be provided directly to Mr. More by Mr. Fletcher, so that if he wished to ask questions on it further he could raise them on Item No. 1. Since it is a specific point, I have no objection to having this read now if the Committee desires, or the Committee may feel it is a particular point.

Perhaps we can have the assistant deputy minister provide this directly to Mr. More, and if he wants to ask something about it he can raise it under Item 1 since it is perhaps a localized point.

We do appreciate the prompt attention shown by yourself, sir, and the director of the tourist bureau in dealing with this question.

Mr. FLETCHER: Thank you, sir.

I might comment that the third request was for an assortment of the printed material of the travel bureau and that was sent concurrent with prepared sheets of advertisements.

The CHAIRMAN: Thank you very much.

Now, if we may continue with Item No. 20, the standards branch. We have with us, I believe, Mr. Fletcher, R. W. MacLean, the branch director, and G. E. Anderson, the assistant director and chief engineer as our principal witnesses.

Do you have any introductory remarks or comments, sir, on the operations of your branch.

Mr. R. W. MACLEAN (*Director Standards Branch, Department of Trade and Commerce*): Thank you, Mr. Chairman.

I would like to make a few brief comments for the benefit of the Committee. The functions of the standards branch are mainly concerned with the applications of commercial measurement in Canada. By this I mean that by law, where charges are determined by measurement, a device approved by the branch must be used to establish such measurement. Further such devices are inspected at respective periods established by the particular act.

There are three basic acts involved: The Electricity Inspection Act, the Gas Inspection Act and the Weights and Measures Inspection Act. The electricity and gas inspection acts deal with the sale and distribution of electric power and gas to consumers. The responsibility of the branch is seeing that the installation of the consumer, whether it be a home or a plant, is an approved device, and that the device is inspected from time to time.

There is an ancillary part of this program which provides for the branch to adjudicate disputes between any consumer and a utility. The branch in this area deals with perhaps 2,500 utilities across Canada. The Weights and Measures Act which is perhaps more familiar, being one of the older pieces of legislation, provides that within general commerce, the equipment used for the sale of normal trade products, are approved devices. The statute also provides for inspection of these devices in use. There is an ancillary responsibility in connection with the general weights and measures field and this is the matter of checking for short weight at the retail level.

Another activity of the branch revolves around the sale and distribution of articles made of precious metals; this is provided by the Precious Metals Marking Act. This is, in a sense, a permissive statute. It does not require the manufacturer or seller of jewellery to mark it as to quality content. It does provide, however, that if he does make any such claim then the form in which this is made must be in accordance with regulation.

In a comparable operation, the branch administers a further act, the National Trade Mark and True Labelling Act. This is largely directed at false advertising and false labelling of designated products. In this area where a situation arises which appears to require attention and deals with the quality of a product, we can try to put into effect the same type of regulation as we have for precious metals. That is, if a claim of a particular quality is made then the regulations prescribe how these claims should be set out.

The branch is staffed by 525 people spread across Canada with headquarters in Ottawa; the electricity and gas division has 237; weights and measures 217; headquarters administration 22; and a laboratory (which is the support for our field staff and a reference for industry in measurement problems); is staffed by 43—engineers, technicians and so on.

I think this is all I would like to say at this point.

The CHAIRMAN: Thank you very much. We are now open for comments and questions. Mr. Clermont, Mr. Lambert and Mr. Macdonald.

Mr. CLERMONT: On page 29 the branch provides facilities and staff for instrument calibration or technical research. Is it available free to industry?

Mr. MACLEAN: Up to the present time we have normally lent general assistance free. We are basically interested in Canada in good measurement. We feel this is part and parcel of our job, and industry should be encouraged to keep this area to the fore.

Mr. LAMBERT: Does this division concern itself at all with various consumer organizations as to the standards of food products that are claimed by manufacturers, the question of labelling?

Mr. MACLEAN: Only in the sense, sir, that the Weights and Measures Act requires the correct designation of weight. The matter of quality, standards of health, and so on, are the responsibility of the Department of National Health and Welfare through the food and drug division; the Department of Agriculture through its various divisions; and the Department of Fisheries. On public contact we are in touch continually with the Canadian Association of Consumers on those problems that affect our work.

Mr. LAMBERT: What I am really concerned about is that there have been a number of organizations that have raised the problem of the inability of, say, mothers buying certain tinned or packaged food to establish what are the ingredients in these packaged foods. Their concern is that they have members of the family who are allergic to certain particular types of food and it would be of very great assistance to a lot of people if, on the labels of tinned and packaged foods, the ingredients were listed.

Mr. MACLEAN: Basically, that would be the responsibility of the Food and Drug Division. My recollection is that this has been raised with it in the past, I believe by you, sir.

Mr. LAMBERT: Well I raised it with your former minister on behalf of the allergy association. I think they have an arguable point; I am not too sure that it would be entirely practical, but I insist they would like someone to have a look at it. Has this been looked at either by the standards branch if there was any, shall we say, partial jurisdiction, or by the food and drug department?

Mr. MACLEAN: We discussed this in our own branch and, felt that this was the responsibility of food and drugs and the matter was referred to them. I have no report on this.

Mr. LAMBERT: All right then, I will have to take that up with them. What about matters involving whether the weight described on the package is actually that of the contents?

Mr. MACLEAN: This is basically our responsibility, sir. In addition to our regular inspection of equipment our staff at the same time make retail check on packaged items and action is taken depending on the results. This includes everything that you see in the store, food, soaps—anything that is packaged.

Mr. LAMBERT: In the case of tinned goods, I have noticed there have been reports where there have either been prosecutions or reports by the consumers association because cans of fruit juices and vegetable juices did not contain the quantity of liquid claimed on the label.

Mr. MACLEAN: I think this problem has occurred, sir. It is my recollection of the situation that the food and drug division which is responsible for manufactured foods cleared this up. I say this advisedly.

Mr. LAMBERT: What I am looking at is the actual weight. That would still be the responsibility of food and drugs.

Mr. MACLEAN: For food put up by other than the retailer that is right. We inspect stores at the retail level. Any infractions we find in manufactured foods we report to the food and drug people who follow through with the manufacturer.

The CHAIRMAN: I see. You act, in effect as an additional arm—

Mr. MACLEAN: That is right.

Mr. MACDONALD (*Rosedale*): Would it be fair to describe your activities as being concerned in a quantitative sense with the package and the food and drug people with the quality?

Mr. MACLEAN: That is correct, sir.

Mr. MACDONALD (*Rosedale*): Except in this last instance where you are really letting them do the quantitative work?

Mr. MACLEAN: That is right.

Mr. MACDONALD (*Rosedale*): What portion of your total effort in the branch is related to the consumer as opposed to manufacturers?

Mr. MACLEAN: I think originally the legislation was direction to the household consumer. However, with so much of our commerce in package form more and more of our effort is directed to over-all packaging control.

The CHAIRMAN: I wonder, gentlemen, if you could speak more directly into the microphones. I believe by using the earphones no one has to bother whether or not the witness speaks up. Another small suggestion: since we are operating not with our full membership today because we obviously have not a good attendance, perhaps we might consider advancing more closely to the witness area instead of remaining at the end of the table. This is just a suggestion.

Mr. ANDERSON: From the latest figures obtainable from the dominion bureau of statistics, it would appear that 20 per cent of the consumer dollar is subject to control in one form or another by the standards branch; then, another 13 per cent is subject to control by other governmental agencies such as food and drugs, and the Department of Agriculture. Then about 67 per cent of the average urban family expenditure is in the area over which we can exercise no control, such as mortgage payments, rent and services. So, you might say about 20 cents of the family income is in some way protected by the standards branch.

Mr. MACDONALD (*Rosedale*): Perhaps through either of the two witnesses we could learn about legislative proposals of uniform packaging legislation. Has there been any study made of or consideration given to this possibility?

Mr. MACLEAN: That is a very good question and is not without its difficulties and pitfalls. We feel that we should continually press for this in areas which lend themselves to it.

Mr. MACDONALD (*Rosedale*): Have you given any study to a particular suggestion—I forget the source of it—that in order to make a particular product comparable, for example, various varieties of soap with different size boxes, that the manufacturer or the retailer be required to put on the outside the unit price.

Mr. MACLEAN: Comparative purchasing is a problem all jurisdictions are facing. However, price and its applications are within provincial jurisdiction; we run aground on this one.

Mr. MACDONALD (*Rosedale*): You have had opinions on this?

The CHAIRMAN: Are there any further questions?

Mr. LAMBERT: One last question. This may be because there is confusion as to what is really meant by standards. Some manufacturers price the package based on the weight of the contents say in grammes and to the average housewife this might just as well be in Swahili or something like that because, they do not know what it means. Does this come at all under you or, does it come under the food and drug administration?

Mr. MACLEAN: The federal statute provides for the use of the Canadian system or the metric system. Traders are free to use either.

Mr. MACDONALD (*Rosedale*): One more question, sir. It has also been suggested that various functions of government including the standards branch might be classed together in a single department of consumer affairs. Would you regard your work separate from the consumer aspect or could it be put into a separate department without damaging the over-all work?

The CHAIRMAN: I think this may be a matter of policy.

Mr. MACDONALD (*Rosedale*): Well, Mr. Chairman, the gentlemen know the nature of the work they have. They know the volume of the work and to what extent it is providing standards advice for the manufacturers and to what extent for the consumer. I think perhaps—

Mr. MACLEAN: If I could just say this, I think we could fit in anywhere.

Mr. MACDONALD (*Rosedale*): Thank you. Would there be certain functions that would have to be duplicated, to continue to give advice to the Department of Trade and Commerce?

Mr. MACLEAN: I think not, sir. We now act as an adviser to all departments and could continue to do so.

Mr. MACDONALD (*Rosedale*): You do your own inspections at the consumer level?

Mr. MACLEAN: We do it retail but have extended to manufacturing areas not covered by other services.

Mr. MACDONALD (*Rosedale*): And the prosecutions are carried on by the Department of Justice?

Mr. MACLEAN: That is correct.

Mr. MACDONALD (*Rosedale*): Have you any notion of the extent to which the complaints which turn up ultimately mature into prosecution. What percentage of the total is this?

Mr. MACLEAN: I do not have any figures on that, sir, but, I can assure you that each complaint we get is investigated fully.

Mr. MACDONALD (*Rosedale*): Thank you, Mr. Chairman.

Mr. MORE (*Regina City*): When did you start this program?

Mr. MACLEAN: We started this program two years ago, sir. It is a very involved program. It is largely a matter of training and we have tried to inform ourselves on this type of activity to the extent where at some point in the near future we can direct an adequate program based on statistical sampling.

The CHAIRMAN: Are there further questions on this point?

Mr. IRVINE: There are a couple of items I want to ask questions on. Page 468 of the details of this particular vote lists casuals and others and there is an increase there of approximately 33½ per cent in the amount of expenditures. What would be the function of these people and why would it be necessary that there would be an extra \$4,000 this year?

Mr. MACLEAN: Casuals come to us for summer employment—in particular in our electricity and gas operations. We can use university students for this work, particularly those in second and third year. We have a fairly heavy load of continuing work and these people are placed according to education and ability to permit regular staff their regular vacations. Similarly for weights and measures we have to solve problems of travel particularly in congested urban areas. Through the summer months, we pick up drivers to drive our inspectors.

Mr. IRVINE: May I say then that these people would be used mostly in survey and that sort of thing. Is that right?

Mr. MACLEAN: No. Mostly it would be done in the electricity section and casuals would be used for inspection work under supervision.

Mr. IRVINE: Further down on the same page we have the item, "acquisition of equipment". There is a difference here of roughly \$170,000 over the fiscal year 1965-66. Is there some particular piece of equipment that you have in mind there?

Mr. MACLEAN: No sir. This is for our operation in the field. The Department of Public Works provides buildings for us particularly for petroleum inspection. The \$120,000 is to provide equipment for such buildings. This was not in the program the year before.

Mr. IRVINE: Is it to repair buildings?

Mr. MACLEAN: It is for equipment for new buildings.

Mr. LAMBERT: What is so specific about short weight inspections. Why is that set apart in the amount of \$16,000. What is it? Weight inspections are weight inspections are they not?

Mr. MACLEAN: There are two parts of the program. Perhaps I did not explain clearly enough in the beginning that our inspectors do two things. They inspect scales and at the same time they inspect the packages which are on the shelves.

Mr. LAMBERT: And this only involves an expense of \$16,000?

Mr. MACLEAN: This is only for purchasing which is required for enforcement.

The CHAIRMAN: I suppose by explaining purchasing that way then there is less opportunity for someone to attempt to hide the packages if they do not know you are coming in.

Mr. IRVINE: I have a supplementary to that. You purchase these packages and then you check them for the weight. Is that right? Is there no recoverage?

Mr. MACLEAN: No, the only recovery is in terms of prosecution. If it is successful, the fines are payable to the crown. Our purchases are turned over to charitable institutions.

The CHAIRMAN: Do you have further questions or comments at this time. If not, I am going to ask the Committee: Shall item 20 standards branch, Administration and Operation carry?

Some hon. MEMBERS: Carried.

Item agreed to.

The CHAIRMAN: This is the only item we are able to deal with on our agenda today. I am happy to report to the Committee that because of the co-operation of the Committee we have left for consideration item 1, Departmental Administration, followed by the estimates of the dominion bureau of statistics. I would like to remind the committee that they adopted the report of the steering committee that D.B.S. be handled after the completion of item 1 and, I would suggest that we have our next meeting at the usual time of 11 o'clock this coming Tuesday. We would like the Minister, of course, to be present to complete our discussion on item 1, to be followed immediately thereafter by our study of the dominion bureau of statistics, again with the Minister available as the principal witness, accompanied by the responsible directors of the dominion bureau of statistics.

If there are no further comments on our agenda for next week, I will declare the meeting adjourned until next Tuesday at 11 o'clock.

**OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE**

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

TUESDAY, JUNE 7, 1966

Respecting

Main Estimates, 1966-67 of the Department of Trade and Commerce

WITNESSES:

The Hon. Robert H. Winters, Minister of Trade and Commerce; *From the Department of Trade and Commerce:* Messrs. Denis Harvey, Assistant Deputy Minister; R. E. Latimer, Director, Office of Trade Relations.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,
Basford,
Cameron (*Nanaimo-
Cowichan-The Islands*),
Cashin,
Chrétien,
Clermont,
Coates,

Comtois,
Flemming,
Grégoire,
Hees,
Irvine,
Lambert,
Lamontagne,
Leboe,

Lewis,
Macdonald (*Rosedale*),
McLean (*Charlotte*),
Monteith,
More (*Regina City*),
Munro,
Stafford,
Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June 7, 1966.

(16)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.10 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Basford, Chrétien, Clermont, Coates, Flemming, Gray, Hees, Irvine, Laflamme, Lambert, Macdonald (*Rosedale*), More, (*Regina City*) (12).

Members also present: Mr. Stanbury.

In attendance: The Honourable Robert H. Winters, Minister of Trade and Commerce; *From the Department of Trade and Commerce:* Messrs. Denis Harvey, Assistant Deputy Minister; L. J. Rodger, Comptroller-Secretary; R. E. Latimer, Director, Office of Trade Relations; V. J. Macklin, Director, Economics Branch; L. L. Marks, Chief, Financial Services Division.

The Committee resumed consideration of Item 1 of the 1966-67 Estimates of the Department of Trade and Commerce.

The Minister was questioned, Mr. Harvey and Mr. Latimer assisting him in answering questions.

Item 1 was carried.

The Chairman indicated the next order of business as study of the Estimates of the Dominion Bureau of Statistics but in view of the lateness of the hour the Committee agreed to defer study of DBS estimates to the next meeting.

The Minister tabled for information of the members the statement he had prepared on DBS operations and the Chairman directed the Clerk to distribute copies to members of the Committee.

In addition, on motion of Mr. Basford, seconded by Mr. Hees,

Resolved, —That the statement on the Dominion Bureau of Statistics tabled by the Minister be incorporated as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix E*).

At 12.55 p.m. the Committee adjourned until Tuesday, June 14, 1966.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY June 7, 1966.

The CHAIRMAN: The Committee is now in session. We are now going to continue with Item 1. The Committee will recall that the Committee discussed, considered and passed all the specific votes under the Trade and Commerce estimates except for Item 1 which had been stood after a preliminary discussion until the specific votes had been dealt with and for the purpose of continuing **with our discussion on Item 1**, Departmental Administration, we have with us again the minister, the Honourable Robert Winters, and a group of his senior officials.

Do you have any preliminary comments, Mr. Winters?

Hon. ROBERT WINTERS (*Minister of Trade and Commerce*): No comment.

The CHAIRMAN: If not, I will invite the Committee to continue with their own questions and comments.

Mr. HEES: Mr. Chairman, I think we are all very much impressed with what we saw last Tuesday at the Expo site. I was disturbed by the fact that the progress is being held up by the longshoremen's strike in Montreal. I wonder if the minister could give us any indication of what the government intends to do to bring this strike to an end because it is affecting greatly something which is of great importance to the country, and that is Expo. Could the minister give us some indication of what is going to happen here. Is this thing going to be allowed to drift on? I speak particularly because of the effect it has on something which comes under the jurisdiction of this Committee, which is Expo.

● (11.15 a.m.)

Mr. WINTERS: We have, as honourable members know, a no-strike agreement with the unions with regard to on site operations they have scrupulously adhered to that and there has been no strike on site despite the fact that we have had disturbances off site from time to time. The unions off site have tried to cooperate as well as they can with us and we have been able to keep going. There is some slow down of some of the operations and one of the pavilions we are concerned about now is the Russian because a great deal of the material being used for their pavilion is being imported by ship. One of the ships that was in the river moved out of the river and it went to Saint John, New Brunswick. I understand that the unions there are handling the Expo material which was loaded on the top of a cargo and is easily accessible. There are, I understand, three ships on the high seas now with Russian material for their pavilion in their holds. We do not know very much about their destination; I suppose it depends on what happens to the strike in the next two or three days.

In the meantime it is still going through the process of collective bargaining; the minister is keeping in touch with us constantly and I understand Judge Lippe is working on it today again. It is a matter of great concern to all of us. Anything that is done here could have considerable repercussion on the other impending labour disputes, so the government feels that it has to tread carefully, exploit and explore all the opportunities and avenues open to us through the processes of collective bargaining. There will come a time, however, when other considerations will have to be contemplated.

Mr. HEES: Mr. Chairman, the minister was a member of the House as I was at the time of the 1950 and 1956 threatened railway strikes and I feel sure that he was very much impressed, as I was, with the firmness with which the then Prime Minister, Mr. St. Laurent, handled what could have been catastrophic strikes tying up the Canadian economy in a very serious manner.

The minister said the government must tread carefully; I agree, we all agree that you must tread carefully but I would ask him does he not feel, as Mr. St. Laurent did at the time, that the government must tread firmly as well. The number of editorials written on this matter have shown the effectiveness of the way Mr. St. Laurent stepped in and without causing any disruption that I know of, he said, "This is the way things are going to be" and they were and the country avoided serious labour and production tie-ups.

Does he not think that the time has come to step in a little more firmly at the present time because of not only the Expo preparations but the whole economy that is being affected. The Minister himself quite rightly said a couple of weeks ago that this is a very, very serious thing for the whole economy. This is the same picture two weeks later. We still do not seem to be any closer.

Mr. WINTERS: I know that honourable members understand that I am not the Minister of Labour.

Mr. HEES: No, but you are a very important member of the Cabinet.

Mr. WINTERS: Regardless of what private opinions I might have, I do not want to do anything that is going to be harmful to the Minister of Labour in reaching a decision on this very important matter. He is following it on a day to day basis and we operate, as you know, Mr. Hees, in a free society and no legislation you take in Parliament is going to compel people to go back to work unless they want to go back to work. We have to weigh the consequences of the action we take. It is a very difficult situation dealing with many people who are charged emotionally. All I can say and all I think I should say having regard to the fact that this is in another department's jurisdiction, is that the Minister of Labour is on top of it.

Mr. HEES: I feel sure the minister is impressed also by the way that labour peace seems to have been maintained on the west coast when this same kind of trouble occurred there in shipping circles and, as I understand it, a very sensible plan was worked out whereby they agreed that those who have been longest in service will be paid partial salaries until their retirement date comes and then they will be pensioned in a regular way. They appear to have worked out a satisfactory pattern when automation becomes a factor as it is in dock handling operations. I cannot see why the government at the present time does not adopt or try to adopt the same formula which seems to have worked well on the west coast.

The CHAIRMAN: Mr. Hees, if I may interrupt for a moment, I think you are putting forward a very useful idea but may I suggest that this does not appear to be directly relevant to the topic we have under discussion. I felt that your questions relating to the effect of the strike on Expo and the efforts of the Minister and the Department with regard to it were quite in order but I would suggest to the Committee that if you are beginning to discuss ways of solving the strike itself, techniques of contract negotiation and so on, perhaps it might better be left to the Committee on Labour and Employment when they discuss the Minister's estimates or discussion in the House itself if these estimates are not now before that Committee.

Mr. HEES: All right, Mr. Chairman.

Mr. MORE: Could I ask a related question of the minister? Is the Russian pavilion the only one being affected at the present time?

Mr. WINTERS: The Russian pavilion, to the best of my knowledge, is the only one that is seriously affected. When I say seriously I am not even sure that the others are being affected. I would not be surprised with this shipping being tied up all this time that some of the others are being affected. They have not been brought to my attention so forcibly as the Russian's have and I am not aware of any others.

Mr. MORE: You really do not know what it has done with target operations to date?

Mr. WINTERS: No.

Mr. COATES: I have a supplementary question to Mr. More's.

The CHAIRMAN: Yes, you are next on the list anyway, Mr. Coates. Then I have Mr. Flemming and if other members of the Committee would signify in the usual way, I can then add them to the list.

Mr. COATES: Mr. Chairman, my question is related to Mr. Hees' questions. I wonder if the minister could give us some idea of how badly our trade commitments overseas are being affected by the strike.

Mr. WINTERS: In this regard, our wheat is backing up and it is going to have an impact on our trade in wheat. I think we can catch up but it is going to dislocate deliveries in the west and there is no doubt about it that we are losing some orders we would otherwise get because when you undertake to deliver on a certain date and if you cannot meet that date, you lose the order. There are instances where we have lost orders. So the strike must be regarded as harmful to the Canadian economy.

Mr. COATES: Could you indicate how harmful, at this stage? For instance, how much more harmful it would be if it were to go on for another week?

Mr. WINTERS: No, we have not been able to quantify that because of the difficulty of knowing how much you can catch up. A lot of these orders are deferred and if I am correct in my understanding, the United Kingdom is also tied up. Our goods going to the United Kingdom could not be landed there anyhow in many instances. It is very difficult to quantify it but we do know that it is having an effect on our national trade.

Mr. COATES: You still feel we could meet our commitments so far as grain shipments are concerned if the strike does not go on much longer?

Mr. WINTERS: Yes.

Mr. FLEMMING: The question I would like to ask is this. We certainly have hopes of something by way of settlement; whether we can have expectation is another thing but let us assume that we can have both. I want to ask the minister is there any way in which the actual construction of these facilities could be stepped up to a greater extent than they have been in the past so that they would be finished on time. I happen to be a person who is interested in having things done on time, if possible, because when you have a target date I think it is most important. I assume plans have been made and I am just wondering, in the event of a settlement, if some acceleration might take place in the construction of the pavilions. That is the question I want to ask the minister.

Mr. WINTERS: Yes, we can catch up and we will catch up. Everybody down there is working full out now; we are working on what is known as a critical path program which means that almost everything you do is interrelated with other things you do, and when you get out of joint the whole program has to be re-assessed. Yesterday we did have a topping off ceremony down there for the Pulp and Paper Institute's pavilion, and this was on time. There was a topping off ceremony the previous week for the British pavilion. They are coming along and they are showing good progress, we do anticipate now that if the strike were settled in the relatively near future we could open on time, which we will do anyhow. There will be an exhibition; there will be a good exhibition.

The CHAIRMAN: Do you have any further questions, Mr. Flemming?

Mr. FLEMMING: That is all for the moment.

Mr. LAMBERT: Mr. Chairman, I was hoping that we could go back to the discussions that are going on with regard to the Kennedy round, the continued application of GATT, the situation with regard to the Common Market and its inter-relationship, particularly the latter, with the NATO discussions that are going on at the present time.

The CHAIRMAN: That is quite in order at this time.

Mr. LAMBERT: I would like to get an assessment from the minister in realistic terms as to the nature of the difficulties that face this question of a relaxation of tariff barriers the world over in the light of some of these complexities. A great deal was said and there was great fanfare of trumpets, to use a term that I favour, with regard to the Kennedy round. It strikes me that a lot of it was pie in the sky and quite unrealistic. When you come up against the hard facts of some of the difficulties within the Common Market which immediately affected the Kennedy round of talks, the Common Market commercial relations, it tied up inexplicably with the military situation and the political situation and for anybody simply to hold out as a great dream the almost boundless expectations of what was said two years ago, of what was said last year in regard to these matters, I think it is deluding us. I would like to know just now how far do the political and defence problems in continental NATO affect the Common Market and how does this affect Britain's chances from going in?

Mr. WINTERS: We talked about the Kennedy round, the E.E.C. and Britain's chances of going into the E.E.C. which are almost unrelated subjects, you might say. The Kennedy round was so-called, as the Committee knows, because of what I think was some economic statesmanship on the part of President Kennedy, offering to expose the United States market to freer trade, reduction of tariffs by 50 per cent, elimination altogether in some instances.

● (11.30 a.m.)

Mr. LAMBERT: Illusionary, though.

Mr. WINTERS: Well, it was a genuine offer if the other countries would reduce their tariffs accordingly so that it makes this trade possible on a world basis and broadens trading opportunities for everybody. This was impossible up until now because the countries in the European Common Market area could not get together and this does relate the Common Market to the Kennedy round in a very direct way.

France had some feelings about this. They relate some of their feelings, I suppose, to politics, on which I am not competent to pass judgment, but some of it is related to their own state of economic development. There is a feeling in some parts of France that they need to develop more industrially before they can expose themselves to this competitive situation which will develop from a successful implementation of the Kennedy round of negotiations. They feel that in many respects Germany is more highly developed industrially than they are, they feel that Britain is more highly developed and, of course, they are apprehensive about the great weight of the industrial might of the United States in this kind of exposure.

After considering this thing for a long time and resolving some of the other problems of the community, they have now come together and decided to proceed with the bargaining in the Kennedy round. The discussions there have picked up real momentum. I do not think it is any longer a question of whether it will succeed; I think it is a question of timing now and the degree of success. There are some slippery slopes ahead of us, as I said yesterday in Montreal, and some of them will be very slippery indeed. But the momentum has now been picked up; these people are bargaining and they are negotiating. I think the chances for successful conclusion of the Kennedy round are brighter than they have been.

Mr. LAMBERT: So far as that aspect of it is concerned, I am glad personally that there has been some acceleration in bargaining because for a long time it seemed to me that they were at a complete standstill if not in reverse.

Then coming along with the related problem of the Common Market, we have seen Britain's greater desire in this year to join the Common Market. Whether France will still be as receptive in the end is another question. But in the event that Britain does make a firm application to enter the Common Market, has Canada been consulted or has Canada indicated to the government of the United Kingdom its views in the light of 1966 and 1967? After all, these views were indicated back in 1962 and conditions may have changed somewhat. The thinking in this country may also have been a little bit more clarified as to just what it would mean for Canada. I think there was a lot of bunkum peddled in the papers in regard to the advantages of the Common Market and Britain

entering it in so far as Canada was concerned. I think we are going to have to be hard and realistic in this position along with our colleagues in the Commonwealth from Australia and New Zealand who are also going to be very seriously affected.

Mr. WINTERS: There has been nothing very concrete by way of discussions because at the moment it is rather hypothetical Britain has not indicated that they are making concrete approaches to the Common Market and the Common Market has not expressed itself on this except in the most general terms. We have told Britain that we would like to be kept informed of any discussions they have in respect of the Common Market. Officials of various Commonwealth countries met in London some weeks ago to prepare the way for what is going to be a meeting of the trade ministers of the Commonwealth countries in London next week. I have no doubt that Britain will tell us something of their aims and aspirations here and how they would like to approach the problem. We will then express ourselves on it. But to date there have not been definitive discussions with the British about their possible entry in to the Common Market.

Mr. LAMBERT: Thank you very much.

Mr. MACDONALD (*Rosedale*): In that same connection, Mr. Winters, as I understand it, we rather enjoy a favourable balance of trade with the British at the present time?

Mr. WINTERS: Yes, that is right.

Mr. MACDONALD (*Rosedale*): Have there been any recent indications from British officials that their current economic crisis might adversely affect our favourable balance of trade with them?

Mr. WINTERS: They have been expressing considerable uneasiness about this and the Right Honourable Douglas Jay, the President of the Board of Trade was out here recently and made some public statements in which he expressed his concern about the unfavourable balance of trade and what could be the result of continuity of that trend. The Right Honourable Mr. Greenwood was here also last week and we had some discussions with him. The trend of British trade with Canada has been running more strongly in their favour recently. Their exports to us have increased sharply within the last six months and I would think they would be quite gratified by that. We have been endeavouring to be as helpful as we can in this matter of customs valuations and other means, and we would like to see their trade crusade in Canada succeed. It is to our advantage to have it succeed. We undoubtedly will be discussing this too.

Mr. MACDONALD (*Rosedale*): Talking in terms of their imports from us, on the whole are they such that they could be replaced from other sources of supply in the world if the British decided to try and correct the balance?

Mr. WINTERS: Britain has the habit of buying where they do get the best deal. I guess they will continue to do so.

Mr. MACDONALD (*Rosedale*): It would then be to our interest to make sure they are solving the economic crisis from the standpoint of our balance of trade apart altogether from their own interests?

Mr. WINTERS: Yes, indeed.

Mr. MACDONALD (*Rosedale*): Whether by further arrangements with the European continent or otherwise?

Mr. WINTERS: Yes, I agree.

Mr. HEES: Mr. Chairman, at the first meeting, I think it was in his statement, the minister pointed out that one of the things that is holding back our increases of exports at the present time is the limit on the ability of Canadian industry to produce; that we are using up a great deal of our productive capacity in supplying the home market and that there is a limit to how much Canadian industry can produce at the present time. This is holding back our exports. Am I not correct in that?

Mr. WINTERS: Yes; generally speaking, we are operating at full capacity. There is a little elbow room here and there but generally speaking the economy is operating all out.

Mr. HEES: It seems to me. Mr. Chairman, that if we are missing out on export sales, which we obviously are because we do not have the capacity to produce, that steps must be taken immediately to see that our capacity to produce is increased so that we can supply those orders, because, as anybody who has been in business knows perfectly well, if for some reason or other you are not able to supply your customer he will find some other source of supply and when you later can supply him he is very likely to say, "Well, I am sorry, you let me down; I found so and so who can supply me, he is doing a good job and I think I will just keep on with him." It seems to me that if we are not taking steps to increase production in this country and take advantage of the potential export trade there is around the world, and it is increasing every year, we will miss out on those orders and we will never get them back.

What worries me is that in the last budget the Minister of Finance It seems to be going in exactly the wrong direction. I know that the ability of industry in this country to increase plant and equipment to increase production. It seems to be going in exactly the wrong direction. I know that the ability of people in Canada to produce at the present time is largely limited by the availability of skilled labour but it seems to me that something must be done to make it possible to increase the supply of skilled labour, to increase the supply of money available for people in business, to increase plant and equipment and to increase production to take advantage of the order opportunities that are available now and will not be available later on if we do not take them.

I wonder if the minister could comment on this. What is the government doing to actually help industry to increase production to take advantage of these opportunities?

Mr. WINTERS: I know, Mr. Chairman, that members of the Committee have seen the forecast of capital expenditure for industrial expansion this year, which is very high; it is running close to record levels. Industrial plant is being increased and we are endeavouring to increase our manpower and train our manpower. We have a good performance now in immigration. It is not as good as we would want but having regard to the availability of skills elsewhere in the world, we are getting a pretty good performance in that direction.

It is not entirely a matter of plant; as I said the other day, some of it is related to raw materials. We could sell, I would guess, far more copper than we are producing now; maybe we could sell a lot more nickel than what we are

producing now. Those things you have to find in mines and it is not always just a matter of spending money to increase plant you have to find the raw materials, the alimentation to feed these plants. But, generally speaking, our productive capacity is increasing substantially. Where there is idle capacity we are asking people to give consideration to the sort of use they could put it to and we have offered all the facilities of the department to work with them in orienting **any increased capacity** they can turn to export opportunities, and to work accordingly.

Mr. HEES: Mr. Chairman, I do not think the department is to blame in this regard. It seems to be something outside the Department of Trade and Commerce's ability to help. The two things that are needed are more skilled labour, which is the responsibility of our training program to increase materially or our Immigration Department to bring in more people by inducing them, by making it so attractive for skilled labour to come here from other countries that they literally cannot afford not to and the Department of Finance to make money available to them on a far more easy basis than is being made at the present time. We all know that there is a tight money policy in existence.

Mr. WINTERS: We have to do this and still try to contain the forces of inflation. We have to do it with dollars that mean something.

Mr. HEES: But does the minister not agree that you do not increase the forces of inflation if you increase the volume of goods available to be bought. Inflation occurs when too much money is chasing too few goods. You can take the pressure off in two ways, decrease the amount of money that is available to chase the goods or increase the volume of goods. If you have an increased volume of goods the pressure is taken off and you do not have inflation.

Mr. WINTERS: It is a matter of demand and supply with regard to labour and capital and this is a pretty capital deficient and capital hungry world we are living in right now.

Mr. HEES: What I m interested in, Mr. Chairman—and I m not blaming the department or the Minister here, but he is a member of the Cabinet and a very important member of the government—is whether the government is doing something other than just hoping that something is going to turn up. I know that when I was in government I was always assured, even by these very forward looking, efficient and business-like gentlemen you have on your right here and other people—and it was the same thing in the Department of Transport, **when certain things were brought up**, that things were being done in the best possible way that they could be done; in other words, “God’s in His heaven—all’s right with the world”. However, I insisted that things should perhaps be done a little bit better on a chance and we gave it a push and found that they could be. I would like to see this government take the attitude that more money has to be made available; that skilled labour has to be made available and, just like the rabbit that climbed the tree, we have to do it. I would like to know from the Minister if he is pushing his colleagues in the government along this line or if everybody is simply taking the attitude: “Well we are doing just about as well as we are doing; we have a lot of prosperity; we are doing pretty well; now, let us not rock the boat”.

Mr. WINTERS: The urge is onward and upward, as you know.

Mr. HEES: Do not give us a Paul Martin speech, please.

Mr. WINTERS: Or a George Hees' speech. Let us judge it in the light of performance and we will see the way it is going.

Mr. HEES: Well, I just hope that you keep that in mind. I intend to ask the Minister other questions as time goes on, but I urge him strongly to get some answers out of his colleagues because I am not satisfied yet. I feel that he is probably doing the best he can do but I feel he has to do a little better with them and they have to do a little better.

Mr. WINTERS: Just look at the performance and then come back and talk.

Mr. HEES: I will be back. That is all for the moment. I have other questions but I would like to pass it on to my other colleagues here.

Mr. FLEMMING: Mr. Chairman, my question at the moment is whether the minister has any up to the minute information about the strike in Britain. The export of wood products down in our part of the world is most important and I find people complaining to me that the ships which they have chartered are not able to come in because they are not able to get unloaded and so on. With that in mind, I was just wondering if the Minister has any up to the minute information about that strike and the possibilities of settlement.

Mr. WINTERS: No I have not. The government there has taken emergency powers but even under the threat of emergency powers the strike continues. I know of nothing that would lead me to say that a settlement is imminent.

Mr. FLEMMING: That is all, Mr. Chairman; thank you.

The CHAIRMAN: I have no further names on my list at the moment.

Mr. HEES: Any time you run out of questioners, I would lie to ask a few more. But I have had my turn.

The CHAIRMAN: I want to be sure that all members of the Committee have an initial turn before we start over again.

Mr. IRVINE: Mr. Chairman, I would first like to say to you and the Minister that I was indeed sorry that I was unable to go on the trip to the Expo site a week ago yesterday, because of the delegation that I had here, because I recognize the fact that each of us should be, in our own areas, public relations people for this venture. I think it is up to all of us to do everything we can to be of assistance. I understand that there will be another opportunity tomorrow which I had intended to take advantage of but a like situation has come up and I do not know whether I will be able to make it or not. Has the Minister intentions of having any further trips because although I want to go it seems that every time I get blocked?

Mr. WINTERS: I think that any time the honourable member would like to go I would be very happy to arrange it, either with a group or have a private showing. I would be glad to arrange for you to go down anytime.

Mr. IRVINE: I have another item which is entirely different, and I mention this in all love and respect for the Minister, his department and everybody else concerned. I received an answer to a question yesterday. I thank you very much for the answer but I am not satisfied with it because it has to do with these

letters that went out to the various foreign owned companies here in Canada, which letter I did not feel had too much in the way of teeth in it and I expressed myself that way. I felt that they should have been at least advised, if not demanded, that a reply should be sent in to the department or to the Minister. I received the answers to questions 1, 2 and 3 which are pretty good. Actually I have not received any answers to questions 4, 5, 6 and 7 at all. All I have here is a statement that these items are of a confidential nature. These are questions that I asked and I will go over a couple of them here because I think they are very important:

What were the overall itemized totals of replies on geographical allocation of expenses and other items of the reporting companies?

In addition to this, what were the overall itemized totals of all replies to questions regarding geographical allocation of liabilities, capital items of the reporting companies.

I was not looking for reports from individual companies. Maybe I did not make myself very clear in this question. It was certainly clear to me, but then I wrote the question and naturally it would be clear to me. I wanted to find out, on these various items, what the totals were, not of any individual company. I have an answer here which I know unwittingly was given to me in a manner that I consider to be rather left handed.

Mr. WINTERS: Are you asking for information received as a result of the questionnaire we sent out?

Mr. IRVINE: On the 250 that have replied—not the individual answers, but the totals.

Mr. WINTERS: We did not ask for any of that type of information in those letters at all.

Mr. IRVINE: Well, according to the copy of the letter that I received, you have.

Mr. WINTERS: What did we say?

Mr. IRVINE: There were questions 1 to 15 inclusive asking for the geographical allocation of expenses and other items.

Mr. WINTERS: Yes, but those letters have just gone in the mail, Mr. Irvine.

Mr. IRVINE: You have not had replies?

Mr. WINTERS: We have not had any replies to them at all.

Mr. IRVINE: The 250 that you did receive replies from were not in this area at all?

Mr. WINTERS: Not at all. This was just setting forth the 12 guiding principles.

Mr. IRVINE: All right. Now, if you are asking for these answers, which I presume will be coming in, then I would be entitled to them at that time?

Mr. WINTERS: I would think on an overall basis but I could not reveal information on any one company.

Mr. IRVINE: I did not want this. Then my function would be to replace those questions on the order paper?

Mr. WINTERS: Of course.

Mr. IRVINE: Thank you very much.

Mr. MORE: Mr. Chairman, I just want to refer briefly to the Minister's statement that he hopes the British trade mission will be successful. To what extent can we afford it to be successful in the light of our present situation? What compensating changes would take place in the rest of our multilateral trade that would make it possible for us to bear a real success by the British delegation?

Mr. WINTERS: We know that we cannot continue trade with the British at this high level unless they can afford to pay for the things they buy. It is in our interest to have Britain remain as a healthy trading community. When you have this bilateralism or any kind of multilateralism when you trade, somebody has to sell us things and we have to sell them things. There is always the connotation that somebody is going to buy in Canada things that they could, perhaps, buy from their neighbours. This is part of the trading world and the question people must ask themselves is, where can they buy to the best advantage.

Mr. MORE: There is a conference going on now in the Caribbean, I understand.

Mr. WINTERS: No, not yet sir; there is going to be a conference from July 6 to July 8, sir.

Mr. MORE: Is there not a conference on right now, Mr. Winters—not a trade conference but one dealing with the consideration of economic ties with Canada?

Mr. WINTERS: Not that I know, sir.

Mr. MORE: I am sure I have seen some publicity about it.

Mr. WINTERS: There are some preliminary meetings at the official level which lead up to the conference that is going to take place in July.

Mr. MORE: They are just preliminary meetings?

Mr. WINTERS: I am told that the West Indians are meeting amongst themselves.

Mr. MORE: This is the point I wanted to make. Does Canada have observers at this meeting; were they invited to sit in or are they participating in any way?

The CHAIRMAN: Mr. Latimer, would you care to answer directly that question?

Mr. LATIMER: The Secretary-General of the conference is a Canadian by the name of Mr. McKinney, and he is sitting in as an observer at that meeting.

Mr. WINTERS: That is the Secretary-General of the conference that is going to be held in July, not of this one that is being held there now?

Mr. MORE: At the conference in July will Canada be a participant or an observer?

Mr. WINTERS: We will be a direct participant. It is going to be held here in Ottawa.

The CHAIRMAN: I seem to have again exhausted my list.

Mr. IRVINE: Mr. Chairman, may I ask a question? I believe the advisory committee made up of representatives from industry, which is associated with this hide business, is constituted now. Is it now functioning? If so, when can we anticipate a first report from this committee?

Mr. WINTERS: They have met and given us the benefit of their advice. I do not believe it has been the practice to issue reports on advisory committees. They are just advisory to the department.

Mr. IRVINE: Is there any report that the minister might like to give us at this time or is it something of a confidential nature that cannot be discussed now?

Mr. WINTERS: I will ask Mr. Harvey to attend to this, if he would care to comment on it.

Mr. D. HARVEY (*Assistant Deputy Minister, Commodities and Industries, Department of Trade and Commerce*): Mr. Chairman, the advisory committee met and it advised us on such matters as the accumulation of statistics. It gave us current information on what is happening in trade. These kind of discussions were pursued and beyond that I think I can only observe that the sort of basic information that was obtained were views on the possible prospects of reactions from one set of circumstances developing or another set of circumstances developing. We are looking at a market which is a changeable market and the endeavours of the committee were to brief us on what to expect if prices remained as they were, if prices changed in the course of a week or two. As of the present time Canadian and United States prices have returned very close to their normal relationship. Some of the pressures that have been on Canadian trade as a consequence have diminished. This development was forecast in the committee in the course of our discussions; it was already happening at the time. When we arrived at our conclusions on this particular discussion we were briefed as to possible consequences of any important change taking place in the market and the agreement of the committee was to reconvene as and when the circumstances warranted it. This was the effect of this discussion.

Mr. IRVINE: Is it the intention of the Minister or the Department to assist in any way the Canadian manufacturers by putting some kind of control on the export of hides?

Mr. WINTERS: The situation is under review. We are not actively contemplating any action at the moment. It is under constant review supported by the advisory committee.

(Translation)

Mr. LAFLAMME: Mr. Chairman, I would have questions to put to the minister while he has several of his officers here with him, concerning more particularly the import or export market for food stuffs, I wonder if anyone here could give us some information for the items other than wheat or the percentage of agricultural products we import and export each year.

(English)

Mr. WINTERS: Can any of your officials contribute anything to that, Mr. Harvey?

The CHAIRMAN: Were you able to get the question?

Mr. HARVEY: I am afraid this was not working.

Mr. LAFLAMME: I would just like to know if any officials of the department here could tell us the percentage of agricultural products, other than wheat, that we import and export every year.

Mr. HARVEY: I think this information, Mr. Chairman, would have to be extracted and provided for the benefit of the enquirer because this information is not readily available in this form.

Mr. WINTERS: Could we analyse the question and then provide the answers.

(Translation)

The CHAIRMAN: Perhaps the officials of the Department could give the information directly. We obviously do not have the information in the form that would answer your questions.

(English)

Mr. LAFLAMME: I would just like to ask the Minister if there is any available information in the Department with regard to ways of improving the exportation of our agricultural products. I am told that in a lot of fields we have to import many of our products that come on the market later. Is there anyone in your department looking into this in order to try to help our farmers?

● (11.59 a.m.)

Mr. WINTERS: You are thinking of such things as cucumbers and the vegetables from the United States? They are produced earlier there than they are here. We have a customs program. Would you like to comment on that?

Mr. HARVEY: Mr. Chairman, there are a variety of programs for the expansion of trade in agricultural products. Development of production related to an expanding export market is the only sound approach and our endeavours are, over a period of time, to encourage interest on the part of the producers in an expanding export sales possibility. We have had missions; we have produced reports from these missions; we have produced publicity which is then circulated. We have had marked successes in such fields as oil seeds, for example, in recent years; field crop seeds expansion in export sales, and quite a number of product fields. This is in every instance. The approach is a detailed study in conjunction with producing interests, investigation of foreign market possibilities and then publication of the information to encourage interest in expanded production related to these foreign market export opportunities. This is the process.

Mr. LAMBERT: Mr. Chairman, yesterday the Minister made a speech in Montreal and he is reported to have said that the guidelines that he sent out earlier this year were giving some of the firms some difficulty, particularly in the area of their offers of equity stock. Would he elaborate on the nature of the difficulties the firms have experienced or that they feel may cause them concern.

Mr. WINTERS: This has not been a matter of complaint; it is just that a very small number of them have told us that they have difficulty harmonizing their overall group policies if they were to make equity available in any one

particular country. Some of them have expressed this in different ways but there is no doubt about the fact it has certain efficiencies if you operate as a fully owned company. But we are pursuing the course that this is the desirable objective. We recognize that it will take some time.

Many companies, when they set up operations in Canada, do not contemplate profits for some time. There is the matter of growth. A company engaged in the drug business came in to see me the other day; they have been operating here for ten years and they do not yet make a profit on local accounts. They would very much like to sell some equity; they would like to get some of their financing but you cannot sell equity if you cannot show the kind of a prospectus that will induce people to buy your stock. These are some of the problems that are causing the companies some concern.

Mr. LAMBERT: Yes, but on the other hand, balancing the other side of the coin, many of these companies also operate in countries where it is mandatory that there be some national participation, for instance in Mexico, where you just cannot go in unless you are prepared to give, in some instances actual control of the firm to local interest, either government, public or private and others where they have a minimum national participation. We are getting this more and more in Europe; this is one of the, shall we say, counter-measures that some of the European Common Market countries are taking in order to prevent people getting in behind the Common Market tariff wall.

Mr. WINTERS: This is a matter that every country is threatened with and every country that I know has had to make adjustments in this field. Some of the countries that were, until recently, adamant on this, claiming that there must be a majority of ownership owned by nationals, have now changed because they cannot attract the kind of companies that would otherwise come in. It is a difficult thing, you know, to move into a country and assign the control, under circumstances that are not familiar to you.

Mr. LAMBERT: I would say it is practically impossible or unrealistic unless the objective at the end is so high and so profitable that you are prepared to take these risks.

Mr. WINTERS: So the country has to decide in the first place whether or not it attaches more importance to majority ownership than it does to getting the kind of industries that would otherwise come in. And a company itself has to decide, by the same token, whether it is dedicated to the principle of complete ownership, 100 per cent ownership, or whether it is willing to go into the country and operate and give away some of its ownership. These are decisions that can be made only by the countries concerned and the companies concerned.

We could not have in this country now some of the important companies we have if at the outset we had insisted on their making equity available. We just would not have them. It is a matter for determination whether that is better for Canada or whether it is not better for Canada. I think, on the whole, Canada is a better country because we have pursued the course we have under different governments. But I think we are mature enough now and most of these companies have developed to the point where they should take stock of their position, and a lot of the responsible companies are doing that. A number of them have made equity available, as Mr. Hees knows, and they have been traded through his facilities. These companies tell me that this has been

beneficial to them not only because it has given them access to a different means of financing but because they feel themselves that they are more fully integrated into the local economy, the local environment.

Mr. LAMBERT: Generally, though, these are the more mature companies. I say mature in experience and in years of operation in Canada, but one that is coming in on the basis of a real equity proposition for development purposes, I would think, would have very grave hesitation in putting forward 25 per cent of its stock.

Mr. WINTERS: Yes, they might not only have hesitation but it might not be practical for them to do so because exchanges have to conform to certain regulations and so on and I would think that these are going to get stiffer. This is not as easy as it might appear on the face of it but we think it is a desirable objective and that is the way we have asserted it. I think that the companies are taking this seriously and they are willing to look at it in that regard. A number of them have told me that they are now contemplating equity issues.

Mr. LAMBERT: As my last question, from your experience, Mr. Winters, both in business and in government, do you find that the various countries—I will divide them into two categories and refer now to the developed countries—are moving in an upward direction insofar as their requirement for national participation or are they revising their requirements downwards? Then there is the other category of country, the developing countries; are they moving in any discernible direction in this regard?

Mr. WINTERS: With regard to ownership?

Mr. LAMBERT: Yes, and development.

Mr. WINTERS: No. I would think the developing countries are less apt to insist on local ownership although in the case of India as we know, to quote one example, it has been very difficult for outside companies to start operations in India, and they have relaxed somewhat. Mexico presents problems there; normally you have to associate with some Mexican company to pursue your goals.

I think the developed countries—we call Australia and Canada developed countries—are all going through the same reappraisal of what our position should be regarding foreign ownership. There is this constant problem of competing companies. If one company is willing to make some of its equity available and a competing company is not, that presents a problem because usually with equity goes disclosure and some companies are not willing to make equity available if they are required in so doing to make disclosure that other companies who do not make equity available are not required to disclose. These are problems that every country is trying to assess.

Mr. LAMBERT: With respect though, is it possible to discern any definite pattern in this way or is it really that one must look to the countries one by one?

Mr. WINTERS: I would say you would have to look at them one by one. Recently we read quite a lot about the French position on industries coming in there. It is a fact that they did lose one or two important developments that otherwise would have come into France but went elsewhere. They have been reappraising this situation. Every country that I know of is concerned about the

amount of foreign ownership because the money markets of the world are becoming more localized. If you are going into those money markets then you have to decide how much ownership you are going to have to sacrifice to get the money in these developing countries.

Mr. HEES: Mr. Chairman, I would like to deal for a moment with the subject of our trade with the United States. I do not have the figures before me but as I remember it our commodity trade deficit in 1964 was something in the vicinity of \$700 million and in 1965 was something over \$1 billion—I think \$1 billion \$136 million. Is that correct? I would like to be corrected if those figures are not right.

Mr. WINTERS: That is about right.

Mr. HEES: It is about right for all practical purposes. In other words what it amounts to is a very large increase in our commodities trade with the United States during the past year.

Mr. WINTERS: You said, Mr. Hees, a very large increase in our commodity trade. You meant to say deficit.

Mr. HEES: Commodity trade deficit, sorry; I meant deficit with the United States.

Mr. WINTERS: There is both but I just wanted to make sure what you meant.

Mr. HEES: I meant to say deficit. What I want to find out is what we are doing in a definite way; what is our planned program to overcome that very serious deficit, particularly in a positive way, with regard to increasing our exports to the United States. To start with, I wonder if you could tell me how many new trade offices have been opened in the United States in the past three years, the past two years or over any particular space of time.

Mr. WINTERS: We opened one recently that I know of and are in the process of opening two more. I will get the figure for the last three years for you. But, as Mr. Hees knows, Mr. Chairman, our exports to the United States have been going up very substantially, I think in a gratifying way, but the offsetting increase in the amount of imports has created this deficit, which is very substantial.

In recent months this year the deficit has taken a turn for the better and the order of magnitude of the deficit is now decreasing. The ratio between our exports to the United States and our imports from the United States has improved substantially in the last four months and is proceeding in that direction. The trend is good. We will certainly have to bend every effort to increase our exports to the United States but this does not seem to be our great problem. Our great problem is on the volume of imports. This is part of the pattern of the kind of expanding economy we have in this country. It is hungry for capital goods as a means of getting the increased production of which Mr. Hees spoke just a few moments ago, Mr. Chairman.

Mr. HEES: One of the things I am interested in is, for instance, setting definite and much higher targets for our export of crude oil and gas to the United States. There have not been targets set, as the Minister knows, for at least the past two years and he and I also know that in business you always do

better if you have a target because then you have something at which to aim. I feel it is a mistake not having had targets in the national oil policy for the past two years. That is why I have asked questions in the House a couple of times as to whether or not the Government does not consider it desirable to revise our national oil policy. As the Minister perhaps knows, it was not too easy to set up that national oil policy because there were great pressures in the United States to get the increase in exports of Canadian oil. At that time we pointed out that we then had a commodity trade deficit of something like \$600 million a year—this was a commodity of which we should export more because we had a good deal of it—and that if we were not allowed to balance up this imbalance in a positive way we would have to consider taking negative measures. They saw the picture immediately and said well all right, if that is the way you feel, we will go along with the thing. And we were allowed to send into the United States far more oil than otherwise we would have been able to send in.

It seems to me that with the Athabaska tar sands we have infinitely more oil to export. They import a lot but we will have more and very soon. As the Minister knows, it takes quite a while to get these meetings set up, to get agreements finalized and to get new policies into operation. I would far sooner correct this imbalance in a positive way and one of the ways I see to do it is to greatly expand our exports of oil and gas to the United States. I would like to hear his opinion of the possibilities of desirability of doing that.

Mr. WINTERS: I certainly concur in the desirability and I concur in the possibility.

Mr. HEES: Then could you tell me what you are doing about it because you do not do things until—

Mr. WINTERS: Our export of oil has trebled since the targets of the national oil policy were established. This is a matter that we discuss with the ministers of the United States every time there is a meeting, I expect. I discussed this last February when we met there; it was high on the agenda and was discussed very vigorously. We have had very good measure of cooperation from the Americans in pursuit of the objectives of our national oil policy. I, too, want to see this expanded; I, too, share Mr. Hees' views that people work better when they have objectives and targets to which to work. I think this should be used more broadly in setting goals in our economy. While I do not want to say things here this morning that might reflect adversely in our oil policy—

An hon. MEMBER: You do not want to rock the boat.

Mr. WINTERS: I do not want to rock the boat. I think our relationship has been good and that we have had a cooperative approach and a genuine understanding from the United States about this. But our potential production of oil has gone up so strongly; our discoveries have been good recently with the Rainbow Field and the great potential of the Athabaska tar sands and elsewhere and we are, perhaps, in a better position than ever before to contemplate larger exports of oil from Canada on an economic basis to the United States. We regard this as a logical development and I can tell the Committee it is the course we need to pursue.

Mr. HEES: What I am getting at, Mr. Chairman, is that all of this is very laudable and very desirable; we all agree with the principles, but we also know that nothing happens until you actually get down to it.

Mr. WINTERS: But it is happening.

Mr. HEES: Could you bring us into the picture a little more, sir?

Mr. WINTERS: As I mentioned, the production of oil has gone up three times since the targets of the national oil policy were established.

Mr. HEES: But, Mr. Chairman, that has nothing to do with any Government, as the Minister knows.

Mr. WINTERS: It has.

Mr. HEES: The production of oil in Canada? Do you claim credit for the increase in the production of oil.

Mr. WINTERS: I claim credit for the degree of access. I do not claim credit—

Mr. HEES: No, no, but does your Government claim credit for the increased production of oil in Canada?

Mr. WINTERS: And I presume your government would take some for the degree of penetration into the United States markets.

Mr. HEES: No, no; I am talking about the increase in production. I think the whole credit goes to the oil companies for having the courage and foresight to go in and develop things like the Athabaska tar sands and other oil developments.

Mr. WINTERS: Of course. I was simply talking about sales which is what you were talking about.

Mr. HEES: I thought we were talking about production. You said that the production had increased materially and I agree.

Mr. WINTERS: That is a private enterprise operation. But you were talking about sales and the national oil policy.

Mr. HEES: Well, Mr. Chairman, the sales and the national oil policy occurred because the national oil policy was established and the pattern was developed and it moved along. That is five years ago.

Mr. WINTERS: It is a matter of expanding our exports to the United States, which we have been doing. If you want to limit yourself to the national oil policy it set certain goals which have been surpassed long ago.

Mr. HEES: But without any particular objective or without the Government doing any particular thing to get quantities of oil increased into the United States.

Mr. WINTERS: No; I think the former Minister knows that there have been things done in the United States, successfully, by his Government and by ours, to increase our penetration into the United States.

Mr. HEES: Mr. Chairman, what I am getting at is that we have a very serious situation. We cannot laugh off, and nobody is trying to—what I mean is you cannot minimize a commodity trade deficit of over \$1 billion with one country. It has grown by something like \$400 million in the past year. This is a serious increase in the imbalance. It cannot be allowed to go on and on and on. We do not want to impose tariff restrictions against imports from the United

States unless absolutely necessary. Therefore, the only logical thing to do is to do something positive and definite to increase exports.

I would like to hear from the government, when we come to the floor of the House because I do not think I am going to get it today, exactly what this government is doing to increase exports to the United States. Our government did not have all the ideas and we made a lot of mistakes but we did certain definite things that did increase exports around the world. I would like to know what the Minister is doing in this regard.

Mr. WINTERS: Surely, Mr. Chairman, all Mr. Hees need do is look at the statistics, the great expanse in the volume of exports around the world and in particular to the United States.

Mr. HEES: After the program that was set in motion I do not suppose it could have missed, and with the momentum it gained it moved right along and this government, granted, did not interfere with the program that had been set out. But I would like to know what is going to be done to increase exports to the United States in a definite way.

Mr. WINTERS: We have the healthiest flow of exports we have ever had and we mean to increase it still further.

Mr. HEES: What specific plans does the Minister have for decreasing this very alarming commodity trade deficit with the United States?

Mr. WINTERS: If the former Minister would like to tell me what he wants to do about reducing imports, it is the other side of the coin.

Mr. HEES: I want to see you greatly increase exports of oil and gas on a planned program, on an agreed basis the same as we agreed to with the United States in early 1961, when we pointed out to them that no country could long agree to a trade deficit of \$600 million a year; now it is nearly double that. They agreed that we could not. We said that you must either let us give a greater boost to our exports of oil and gas, which they did not want to do, into the United States or we have to take positive steps against your imports. They received the picture. Now your position is twice as strong; I would like to see you do the same kind of thing. As you know, the ministers of the United States Government only understand tough talk and if you put it to them in a logical and straightforward manner then you will get the kind of agreement you want.

Mr. WINTERS: I have found they are very reasonable people. Mr. Chairman, I think Mr. Hees must have been thinking of his answer when I told him that our balance between exports and imports with the United States has improved substantially in the last few months.

Mr. HEES: What do you forecast the deficit will be this year?

Mr. WINTERS: On the present performance? It is moving in the right direction.

Mr. HEES: What do you forecast for this year though?

Mr. BASFORD: Mr. Chairman, I think the Minister should be allowed to answer the question first.

Mr. HEES: I want him to; I am dying to have him answer the question. Your Minister does very well by himself and I do not think he needs any assistance; I think he can handle himself very nicely.

The CHAIRMAN: Of course, any member of the Committee is entitled to raise questions of order. We have been having a very interesting exchange between yourself and the minister which I think has been most helpful to all of us in broadening our understanding of our international trade picture.

Mr. WINTERS: I would just like to say that I would not want the Committee to overlook the auto parts pact which is going to be, I think, a very strong influence in our trade relations with the United States. But for the moment, while it gets going, there is a high level of capital goods being brought into the country and once that is fully operative that will help toward our balance of trade.

Our oil exports have gone up. I do not know why the former minister keeps saying: "Why is something not done about it".

Mr. HEES: I am picking out oil because it is a simple commodity to increase.

Mr. WINTERS: I would think you should express gratification with the way exports to the United States have gone up; I do not quite understand what is in his mind.

The figures which have been released by the Bureau of Statistics show the pattern of our trade and these are available for Mr. Hees to see. But it is moving in the right direction, very substantially so; our exports are running at a very high level and our imports relative to our exports are down, so that the deficit in our trading with the United States has narrowed.

Mr. HEES: The question I have asked, Mr. Chairman, is from the figures now available, and we have let a couple of years go by, what does he estimate, from this very favourable trend about which he has talked, the trade deficit is going to be at the end of the year, based on those figures.

Mr. WINTERS: I am unable, at the moment, to answer. I do not have the figure before me.

Mr. HEES: I hope you will have that figure when these estimates come before the House because I certainly intend to ask the question again.

I would also like to hear at that time a program for overcoming, what I consider, is a very alarming situation, the deficit of over \$1 billion with one country. I would like to know what we are going to do. I hope it will not be negative; I hope it will be positive.

Mr. WINTERS: Surely, Mr. Chairman, Mr. Hees has been skilled enough in this field of trade to know that it is our multilateral trade, an overall world trade, on which we judge ourselves. If every country would terminate their trading relations with us or do something drastic because they are running adverse balances, we would be in serious trouble.

Mr. HEES: When the deficit with one country gets over \$1 billion, we ought to get serious.

Mr. WINTERS: What is your criterion as to where the danger point is.

Mr. HEES: I would say that it was beginning to get serious when it was \$600 million, which it was when I was in his position. I told the United States

government that and that we were very alarmed about it and if they did not allow us to take positive measures we would have to consider taking measures, and they got the idea.

Mr. WINTERS: It is purely fictitious to approach the problem in that way.

Mr. HEES: But it worked.

Mr. WINTERS: We are realistic, Mr. Chairman.

Mr. HEES: It may not be realistic, Mr. Chairman, but I will say it made possible one of the best policies we have in existence today, our National oil policy.

Mr. CHRÉTIEN: If possible, I want to ask a question of Mr. Hees about that very problem. Do you think it would be a good thing for Canada to balance our trade deficit with the United States by exporting water?

Mr. HEES: Yes, I certainly do.

Mr. BASFORD: I am sure the Conservatives in western Canada who desperately need water for their industrial development will be interested in that answer.

Mr. HEES: I have outlined, Mr. Chairman, on many occasions when I was the Minister—you do not have to look so smug and smile, and look to the side and ask for applause; just listen.

Mr. BASFORD: I am not looking smug, Mr. Hees; I have been watching you in the House and just carrying on—

The CHAIRMAN: Order, please.

Mr. HEES: If the honourable member wants me to outline the program that we outlined when we were in Government I will be very glad to tell him exactly what it was. I think the National Energy Board worked out a formula of two or three times more than it could be foreseen that Canada could possibly need for a 20 year period or something of that kind, which would give us adequate water supply for any possible expansion of business in Canada over the foreseeable future, over the next generation—then it is desirable to sell excess water over and above that amount. That is the policy I always supported and support today. I ask the honourable member does he not support a policy of that kind?

Mr. BASFORD: No. I would like to see water used for the development of western Canada.

Mr. HEES: Yes, but I say if you are provided with two to three times the amount that any expert today can possibly foresee as being required by western or any other part of Canada for the next 20 years, then he would still like to see excess water over and above that keep on flowing uselessly to the sea. Is that correct?

Mr. BASFORD: We are in no position to know what our water resources are or what our requirements will be.

● (12.28 p.m.)

Mr. HEES: I can tell you that we have a very able National Energy Board headed up by a very able chairman. After a great deal of consideration by this

board, which has been retained by the present government as well—and I feel sure that the minister and his government have great respect for the ability of this board—this was their recommendation. They think they know what the requirements of Canada for the next 20 years are going to be, and they allowed two or three times in addition to that as a cushion for any unforeseen requirements.

Mr. CHRÉTIEN: I would like to ask a question of the minister on that subject. Have we, at the present time, received many requests from the United States to export water to them?

Mr. WINTERS: I have not heard of any in the Department of Trade and Commerce but presumably anything like that would be dealt with by the National Energy Board first; but as an item of trade, no.

Mr. LAMBERT: I have a couple of supplementary questions in connection with the oil policy. While there has been a quantitative expansion in the export of crude oil—natural gas is something quite separate—since the formulation or the preparations for the national oil policy in 1961 have we done more than getting, shall we say, the normal increase in that particular market area? It is all on a curve. Now, has the grade into the curve improved? In other words, are we stepping off in the direction of a higher plateau or are we just moving along the same projection that was made on the basis of growth use of vehicles, increase in population, more oil for heating and so forth, but on the normal basis. This is what, I think, Mr. Hees is trying to get at. What have we done to expand, not only in the quantitative sense but in the relative sense, the share, first of all, of the export market for oil and, secondly, within Canada? I have a feeling that we frankly have not done enough within Canada to increase the relative Canadian market for western crude. There has been a quantitative increase but just what positive steps are being taken to obtain a relative increase—to move on an entirely higher curve? We are still importing fantastic quantities of offshore crude.

Mr. WINTERS: I do not know exactly what the statistical position would be there. I have a feeling that we have increased beyond the normal growth of the market areas in which we are operating because many of them are relying pretty heavily now on Canadian crude. They are very anxious to get it and are very pleased to get it.

Mr. LAMBERT: Yes, but you see in Alberta now the potential daily production is just a little over one million barrels a day but the allowables are down somewhere under 600,000. As soon as the great Canadian oil sands comes into production next year, there will be another 50,000 barrels of oil a day from that one refinery, on a ten acre spread. Many oil companies have scores of millions invested in preliminary work in the McMurray tar sands. We just cannot keep them waiting forever. Rainbow is still a discovery; there is no way of transporting oil out of Rainbow yet although the pipeline applications are before Parliament.

I do not think that western crude is getting an additional share of the growth of the central Canadian market. I am not asking the Minister for an assessment of that now because I do not think he is in a position to do so. But, as Mr. Hees indicated, I think that when we come back to the House we would like to see in this particular area a serious statement of projection, of

government action with regard to the National oil policy. I do not think we can coast after five years.

Mr. WINTERS: The government is not coasting. There are things being done. The honourable members of the Committee have undoubtedly read in the press what studies are being made in the Chicago area now for Canadian crude. This is a matter that has not developed to the point where I can say anything before this Committee but it is indicative of the potential market in the United States for Canadian gas and oil.

Mr. HEES: As long as we insist on getting it. There is no use in sitting back and letting other people take it.

Mr. FLEMMING: My question has to do with productivity. I know that the minister is very much concerned with increasing productivity. In the past couple of weeks I asked the proprietor of a small processing plant in connection with one of our natural products if he had any problems and he said that his main problem is a financial one, a question of enlarging his facilities and securing the cash to do so. I asked him where he shipped his products and he said largely to the United States. It is a potato processing and sorting plant and I thought they really have it down to quite a science. It is something like a million dollars plant these boys have developed in the last few years. But he said to me that his problem is to get a term loan of eight or ten years by which they could install machinery which would allow them to use a greater percentage of the available crop and perhaps go further afield in reaching out for the natural price, perhaps even stimulating the production of the potatoes that they can use in this large plant because they must get a large volume in order to have a chance to get their money back and have this whole thing pay dividends. It seemed to me that in view of the fact that a large percentage of that particular industry was being shipped for the very purpose that we are talking about, the advisability of stimulating exports to the U.S., that perhaps the minister might consider a representation to the member of the board, whom I believe is his deputy minister, of the Industrial Development Bank by which an industry which is shipping a large percentage of their products to the U.S. and to any country where we have an adverse balance would secure a bit of preferential treatment compared to an industry that was not in the same category.

Would the minister consider recommending to the government and doing what he could do so that an industry of that nature might be encouraged to develop. I have quite a few more and the Minister knows as well as I do that in the maritimes we do export a very large percentage of our total production. We always have and we probably always will because we are limited in population. With that in mind, this is my question. Would he consider the general advisability to the extent that he can, of giving his recommendation so that special consideration might be given to that type of industry.

Mr. WINTERS: Could Mr. Flemming say, Mr. Chairman, if any of these companies resort to equity financing?

Mr. FLEMMING: Not that particular one, no. This is something that has really developed in the past few years. These young chaps had a vision which, of course, I claim a person always has to have before they start anything. They have made a big success of it so far but I do not think they would be large enough to be in that category. What they really want is a loan

spread over a period of, say, eight or ten years, by which they can get themselves more equipment.

Mr. WINTERS: Have they made an application to the I.D.B.?

Mr. FLEMMING: I do not know if they have. He just said that was his problem. I told him that we were quite prepared, willing and anxious to help all we can. That is my reason for bringing it up here.

The CHAIRMAN: I think, Mr. Flemming, you have made a very constructive point. If I may make a suggestion, you may wish to provide the Minister or the appropriate deputy with the name of this firm and they might want to take it up with the Industrial Development Bank.

Mr. WINTERS: I will be very glad to speak to you about it.

Mr. FLEMMING: I would be very glad to do that but I did not want to be too specific because I do not like to mention people by name.

The CHAIRMAN: You have raised the point; it is a very constructive one and perhaps now the department, with your cooperation, might carry it further, through their own facilities and the Industrial Development Bank.

Mr. FLEMMING: I certainly would be glad to do that.

The CHAIRMAN: Shall Item 1 carry?

Item agreed to.

The CHAIRMAN: Gentlemen, the final item on our agenda with respect to the responsibilities of the Minister of Trade and Commerce involves the estimates of the Dominion Bureau of Statistics.

I should explain to the Committee that the Chief Dominion Statistician is taking part in a panel for the Canadian Manufacturers Association; he is not only making a speech but is taking part in a panel discussion and so on. I, therefore, felt it would be appropriate if he met that commitment and made himself available later in the day. We can meet this evening at eight o'clock; I think because of the importance of the item the Minister will want to participate in the discussions as well. What we might do this morning to continue in an effective way with our work is to merely have the—

Mr. LAMBERT: With the greatest respect, I think you are going to run into a lot of trouble. A number of the members of this Committee are people who are interested in budgets and the government House leader has scheduled a budget resolution for discussion in the House today. Depending on which items are up for discussion I, personally, would find it somewhat difficult to appear this afternoon or this evening.

The CHAIRMAN: I do not contemplate it being possible to have a meeting this afternoon in any event. I should take the Committee into my confidence and explain it is a matter of trying to arrange things in a way that makes available to the Committee both the Minister and the Chief Dominion Statistician at the same time. While members of the Committee, depending on their own point of view, may have different ideas about what the department is doing, I find that the Minister seems to be meeting all sorts of commitments in his official capacity. I understand, as well, that he has certain overseas commitments during the coming week and I felt that if we were able to have as wide a

discussion as possible on the D.B.S. estimates in the time available today, because I understand it will not be possible to have the Minister Thursday, we would be using our time to good advantage. I am not suggesting that we attempt to complete them today but if, by some chance, it is possible, it might then be possible during the Minister's absence to complete the printing of the minutes so that on his return from the official commitments on behalf of Canadian trade that he has undertaken we will be able to bring this back into the House and continue our discussion on perhaps a wider field than is permitted for this Committee.

Mr. MORE: Mr. Chairman, could we not proceed now to have the Minister's statement and then you consult with your steering committee about the business of the House and whether we should meet at 8 o'clock or not?

Mr. HEES: I think it is perhaps getting a little late now. I have an appointment at 12.30 and so has Mr. Lambert. I think that people are quite interested in what the Dominion Bureau of Statistics does. I know the Minister has to be away for a couple of weeks and there is no reason why we cannot wait until he comes back and carry on with our discussions. If we have to go into the House to get the business cleaned up and have his estimates done there without dealing with certain estimates in here, I do not think there is any objection to that.

Mr. LAFLAMME: I agree with Mr. Hees.

Mr. HEES: I think it will be difficult, as Mr. Lambert said, to get people here today because when these budget estimates are up there are certain items with which people want to deal and they must be around.

Mr. LAMBERT: I can think of the honourable member from Lapointe who is particularly interested in this area. He is chief financial critic for his party.

The CHAIRMAN: I think your point is well taken.

Mr. LAMBERT: Unless the chairman is prepared to be quite blind in both eyes tonight with regard to numbers.

The CHAIRMAN: Your point is well taken. I can tell you that quite unofficially, without making any commitment on behalf of the Committee, I did have a sort of behind the curtains contact with the honourable member for Lapointe, saying that it may be the Committee would agree to go on tonight with D.B.S. and he indicated to me that if we did he felt he could make himself available. But at the same time I think Mr. Hees' point is well taken.

We have actually completed our consideration of the Department of Trade and Commerce estimates properly so called. There is no reason why our clerk could not now attempt to expedite as much as possible the final printing of the minutes, and if the Committee feels it more advisable we—can certainly undertake our discussion of the D.B.S. estimates. This is a separate government department, although an important one, in the trade activity of our country, responsible to the Minister—when he returns from, as I understand it, his sales promotion efforts on behalf of Canada.

Perhaps, Mr. Hees, in view of his questions, you may be quite anxious to have him proceed on this series of visits.

Mr. MORE: Mr. Chairman, does the Minister have a prepared statement to make?

Mr. WINTERS: Yes.

Mr. MORE: Could it be taken as read and made available so that we will be able to look at it and prepare questions?

Mr. WINTERS: We can do that if there is such a procedure.

The CHAIRMAN: We can do that. However, I think there should be an understanding that if we do this it will be distributed as quickly as possible to all Committee members.

Mr. WINTERS: It is just a statement on the functions of the Dominion Bureau of Statistics.

The CHAIRMAN: I do not want to continue the meeting; I know a number of us have other meetings. On the other hand you may find it better to do this as a unit, to have the statement fresh in your mind and proceed immediately to the questioning.

Mr. LAMBERT: I would like to have it on the record. I would suggest that this general statement be on the record.

Mr. BASFORD: I think perhaps the Minister could table his statement and it could be appended to today's proceedings. We could have the director of the bureau here when that is available.

The CHAIRMAN: Yes, all right.

Mr. BASFORD: I move that the Minister table his statement on the Dominion Bureau of Statistics department and that it be appended to today's minutes of proceedings and evidence.

Mr. HEES: I second the motion.

Motion agreed to.

The CHAIRMAN: I might say it looks as though it will be more practical to begin our discussions on D.B.S. on the return of the Minister. In the meantime our next meeting will be on June 14, when we will deal with a series of private bills dealing with charters of insurance companies and so on.

The meeting is adjourned.

APPENDIX "E"

JUNE 7, 1966.

DOMINION BUREAU OF STATISTICS

Statement by the Hon. Robert H. Winters

The Dominion Bureau of Statistics reports to the Minister of Trade and Commerce. It is headed by the Dominion Statistician, who has the status of a Deputy Minister, and its duties as set out by the Statistics Act include the following:

- “(a) to collect, compile, analyze, abstract and publish statistical information relative to the commercial, industrial, financial, social, economic and general activities and condition of the people;
- (b) to collaborate with all other departments of the government in the collection, compilation and publication of statistical records of administration according to any regulations;
- (c) to take the census of Canada as provided in this Act; and
- (d) generally to organize a scheme of co-ordinated social and economic statistics pertaining to the whole of Canada and to each of the provinces thereof.”

The chart of the organization of DBS in the Annual Report gives some idea of the range of subjects covered by the organization. The total permanent staff of the Bureau of Statistics amounts to over 2600 persons in head office and in the eight regional offices. The permanent census staff is about 160 persons, periodically supplemented by temporary staff at census times. Among the other large subject matter divisions are Agriculture (122 persons), External Trade (231), Health and Welfare (151) which includes vital statistics and judicial statistics, Industry (233), National Accounts and Balance of Payments (127) and Public Finance and Transportation (187). In addition to the various “subject matter” divisions, there exists a group of divisions whose functions are to service the rest. The service divisions include tabulating services (computers, punched card equipment), sampling and survey research, information services, special surveys (that is the regional office organization), the Canada Year Book, the library and the usual administration and personnel services.

The collection of statistics is rather highly centralized in Canada, but not completely so. Within the federal government a number of surveys are carried out by other government departments, and also a great deal of useful statistics emerge as a result of departmental administrative activities. An example is information derived as a result of the work of the Unemployment Insurance Commission. Another type of association with departmental administration is the Aviation Statistics Centre in the Department of Transport, which is under the direction of the Dominion Bureau of Statistics.

During the last few years, need for statistics for administration of provincial government programs has expanded, and DBS has been able to meet some of these requirements. A number of the provinces, especially Ontario and Quebec, have established or expanded statistical agencies of their own in order

to develop detailed statistics for provinces and regions within provinces. Many of these surveys are now on a co-operative basis with identical returns being sent to DBS and to the provincial statistical offices, thus relieving respondents of the burden of preparing two different returns on the same subject. In the case of Quebec, for example, all annual census of manufacturing, mining and forestry questionnaires are identical and, with the consent of respondents, is shared by DBS and the Quebec Bureau of Statistics.

In these and other ways, DBS endeavours to minimize the response burden on business firms, individuals and farmers. DBS' own requirements are now increasing very little but respondents are increasingly called upon to provide information for legislative, tax and social security purposes. In these cases DBS is attempting to develop arrangements by which this kind of data can be used for statistical purposes, thus removing the need to undertake additional specialized surveys.

In the case of DBS, two pieces of legislation are of particular importance—the Statistics Act and the Corporations and Labour Unions Returns Act. The latter is not, strictly speaking, part of DBS but it is administered by the Dominion Statistician and the data emerging from its operation is integrated with other statistics collected by DBS.

The Statistics Act is probably of greater departmental significance than the legislation of most other departments, because it sets out in considerable detail what DBS shall and shall not do. It contains the two main elements of a modern statistical agency: compulsory powers to enforce the collection of information on the one hand, and a corresponding protection to respondents in the form of prohibition of disclosure of information about any individual person or firm without their written consent. This latter feature is present in practically all statistics acts in Canada and other countries, and is regarded as a necessary feature to ensure accurate information. The Bureau makes a continuing effort to meet the needs of governments and business firms for the detailed information they desire, while at the same time avoiding disclosure of information about individual respondents.

The Corporations and Labour Unions Returns Act is relatively new, dating from 1962, with an amendment effective 1965. The purpose of the Act was to provide information about corporations and unions, especially those which are foreign controlled, operating in Canada. The first report, covering data for 1962, was not published until 1965 because of the necessity of setting up an administrative staff and because of the investigation of complex inter-corporate relationships which were necessary to distinguish between Canadian companies and those controlled abroad. The next report, covering 1963, will be available in a few months. Currently some 35,000 companies provide reports under this legislation and up to 175 items are being tabulated. This will provide a valuable store of information on corporate activities, as well as the basis for two reports on corporate operations, one under the Corporations and Labour Unions Returns Act, and another on general corporation statistics previously prepared by the Department of National Revenue.

As members of the Committee will have noticed by my earlier remarks and will observe from the organization chart and other material, the Dominion Bureau of Statistics covers a great diversity of fields and many different subjects. The Dominion Statistician and some of his officers are present and will

be glad to provide such further information as the Committee may desire about operations of the Bureau.

Recent developments in Labour Statistics

The Bureau's activities in the field of labour statistics have expanded significantly in the last few years. This has been in response to the needs of the business community and organized labour for statistics related to developments in industry affecting labour and to provide information for the government's manpower programmes.

To fill a gap in information regarding the cost of employer expenditures on employee benefits commonly known as "fringe benefits", an experimental survey of this rather complex area was undertaken this year in co-operation with the Department of Labour. By contrast with most other industrialized nations, no official statistics exist in Canada regarding the cost of such items as paid vacations, sick leave, private pension plans and the like which are becoming an important element on employers' total labour costs, and increasingly are the focus of wage negotiations. The present investigation and subsequent regular surveys will provide this much needed information.

One of the most important types of fringe benefits is pension plans. Of recent years a growing number of employers have been establishing such plans in recognition of some responsibility for providing for their employees on retirement. The introduction of the Canada and Quebec Pension Plans, together with recent standard setting provincial legislation has also given impetus to the spread of private pension plans. A Canada-wide survey of all private pension plans designed in co-operation with employer and labour organizations was undertaken in January of this year to provide up to date information on the coverage, financial impact and characteristics of these plans.

Acting in co-operation with the Department of Citizenship and Immigration (Department of Manpower), the Bureau will shortly be conducting a pilot survey of occupational job vacancies. The second annual report of the Economic Council drew attention to the deficiency of such data for measuring the overall demand for workers and their occupational mix. The information is needed for manpower policy programmes to train workers for occupations in short supply, to increase efficiency of National Employment Service operations, and to provide additional economic indicators.

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OF
PROCEEDINGS AND EVIDENCE**

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE
ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 12

TUESDAY, JUNE 14, 1966

Respecting

- Bill S-4, An Act to incorporate Aetna Casualty Company of Canada.
Bill S-6, An Act respecting The Pacific Coast Fire Insurance Company.
Bill S-8, An Act respecting General Mortgage Service Corporation of Canada.
Bill S-11. An Act to incorporate Income Life Insurance Company of Canada.
Bill S-12, An Act to incorporate Income Disability and Reinsurance Company of Canada.

INCLUDING NINTH AND TENTH REPORTS TO THE HOUSE

WITNESSES:

- R. Humphrys, Superintendant, Department of Insurance; *Respecting Bill S-4:* G. D. Finlayson, Q.C., Parliamentary Agent; George E. Rhine, Vice-President, Field Administration Department, Aetna Casualty and Surety Company. *Respecting Bill S-6:* Jean Richard, Parliamentary Agent. *Respecting Bill S-8:* J. L. Whitney, Q.C., Parliamentary Agent and President, General Mortgage Service Corporation of Canada. *Respecting Bills S-11 and S-12:* R. W. McKimm, Parliamentary Agent; W. E. Brunning, President, Income Life Insurance Company of Canada and Income Disability and Reinsurance Company of Canada.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,
Basford,
Cameron (*Nanaimo-
Cowichan-The Islands*),
Cashin,
Chrétien,
Clermont,
Coates,

Comtois,
Flemming,
Grégoire,
Hees,
Irvine,
Lambert,
Lamontagne,
Leboe,

Lewis,
Macdonald (*Rosedale*),
McLean (*Charlotte*),
Monteith,
More (*Regina City*),
Munro,
Valade,
Wahn—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

ORDERS OF REFERENCE

THURSDAY, May 5, 1966.

Ordered,—That Bill S-4, An Act to incorporate Aetna Casualty Company of Canada, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

THURSDAY, May 19, 1966.

Ordered,—That Bill S-6, An Act respecting the Pacific Coast Fire Insurance Company, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

TUESDAY, May 24, 1966.

Ordered,—That Bill S-11, An Act to incorporate Income Life Insurance Company of Canada, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

TUESDAY, May 31, 1966.

Ordered,—That Bill S-8, An Act respecting General Mortgage Service Corporation of Canada, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

TUESDAY, June 7, 1966.

Ordered,—That Bill S-12, An Act to incorporate Income Disability and Reinsurance Company of Canada, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

THURSDAY, June 9, 1966.

Ordered,—That the name of Mr. Wahn be substituted for that of Mr. Stafford on the Standing Committee on Finance, Trade and Economic Affairs.

TUESDAY, June 14, 1966.

Ordered,—That the Standing Committee on Finance, Trade and Economic Affairs be authorized to sit while the House is sitting on Tuesday, June 14, 1966.

Attest.

LÉON-J. RAYMOND,

The Clerk of the House.

REPORT TO THE HOUSE

TUESDAY, June 14, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

NINTH REPORT

Your Committee recommends that it be authorized to sit while the House is sitting on Tuesday, June 14, 1966.

Respectfully submitted,

HERB GRAY,
Chairman.

(Concurred in June 14, 1966.)

MONDAY, June 27, 1966

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

TENTH REPORT

Your Committee has considered the following Bills and has agreed to report them without amendment:

Bill S-4, An Act to incorporate Aetna Casualty Company of Canada.

Bill S-6, An Act respecting The Pacific Coast Fire Insurance Company.

Bill S-11, An Act to incorporate Income Life Insurance Company of Canada.

Bill S-12, An Act to incorporate Income Disability and Reinsurance Company of Canada.

Your Committee has also considered Bill S-8, An Act respecting General Mortgage Service Corporation of Canada and has agreed to report it with the following amendment:

Clause 3

In lines 16 and 22 delete the words "sections 1 and 2" and substitute therefor the words "sections 1, 2 and 4".

Respectfully submitted,

HERB GRAY,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, June 14, 1966.
(17)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.15 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Andras, Basford, Cashin, Clermont, Coates, Comtois, Gray, Hees, Irvine, Laflamme, Leboe, Macdonald (*Rosedale*), Monteith, Valade, Wahn (15).

In attendance: Mr. R. Humphrys, Superintendent of Insurance.

Respecting Bill S-4: Messrs. A. J. P. Cameron, M.P., Sponsor of Bill S-4; G. D. Finlayson, Q.C., and John H. C. Clarry, Q.C., Parliamentary Agents: Representing Aetna Casualty and Surety Company: Robert G. Espie, Vice-President and Comptroller, Hartford, Conn.; George E. Rhine, Vice-President, Field Administration Department, Hartford, Conn.; John G. Choate, General Manager of Canadian operations; John C. Graham, Counsel.

Respecting Bill S-6: Messrs. Basford, M.P., Sponsor of the Bill; Jean Richard and A. de Lobe Panet, Parliamentary Agents; S. E. Porter, Marine Manager for Canada, The Pacific Coast Fire Insurance Company.

Respecting Bill S-8: Messrs. A. J. P. Cameron, M.P., Sponsor of the Bill; J. L. Whitney, Q.C., Parliamentary Agent and President, General Mortgage Service Corporation of Canada; The Honourable Charles P. McTague, Q.C., Chairman of the Board, General Mortgage Service Corporation of Canada.

Respecting Bills S-11 and S-12: Messrs. Macaluso, M.P., Sponsor of the Bills; R. W. McKimm, Parliamentary Agent; W. E. Brunning, President and E. Dodd, Comptroller, Income Life Insurance Company of Canada and Income Disability and Reinsurance Company of Canada; H. Soule, Q.C., President, Hamilton Trust and Savings Corporation.

The Committee first proceeded to consideration of Bill S-4, An Act to incorporate Aetna Casualty Company of Canada.

On the preamble

Mr. Macdonald (*Rosedale*) stated that he had an interest in this company and therefore could not vote on this Bill.

The Sponsor of the Bill, Mr. Cameron (*High Park*), introduced the Parliamentary Agents and the witnesses. The Parliamentary Agent, Mr. Finlayson, explained the purpose of the Bill, and Mr. Humphrys also made a brief statement.

Mr. Finlayson, Mr. Humphrys and Mr. Rhine were questioned, and the Preamble was carried.

Mr. Finlayson was questioned, and the clause was carried.

Clauses 2 to 7 inclusive were carried.

On clause 8

Mr. Humphrys was questioned and the clause was carried.

The Title and the Bill were carried.

Ordered,—That the Chairman report the Bill without amendment.

The Committee then proceeded to consideration of Bill S-6, An Act respecting The Pacific Coast Fire Insurance Company.

On the preamble

Mr. Basford, Sponsor of the Bill, introduced the Parliamentary Agents and witnesses. Mr. Richard, the Parliamentary Agent, made a brief statement as to the purpose of the Bill, and Mr. Humphrys confirmed that the proposed company had met the requirements of his Department.

The preamble, clauses 1 to 3 inclusive, the Title and the Bill were severally carried.

Ordered,—That the Chairman report the Bill without amendment.

The Committee next considered Bill S-8, An Act respecting General Service Mortgage Corporation of Canada.

On the preamble

The Sponsor of the Bill, Mr. Cameron (*High Park*) introduced the Parliamentary Agent, Mr. Whitney, and the witness.

Messrs. Whitney and Humphrys made brief statements and were questioned.

The preamble was carried.

Clauses 1 and 2 inclusive were carried.

On clause 3

On motion of Mr. Basford, seconded by Mr. Macdonald (*Rosedale*),

Resolved,—That clause 3 be amended by deleting the words "sections 1 and 2" in lines 16 and 22 respectively and substituting therefor "sections 1, 2 and 4".

Clause 3 was carried, as amended.

Clauses 4 and 5, the Title and the Bill were severally carried.

Ordered,—That the Chairman report the Bill, as amended.

Because of the close relationship between Bills S-11 and S-12, and because the Parliamentary Agent and the witnesses were the same for both Bills, the Committee agreed to joint consideration of the Preambles of these Bills.

On the preambles

Mr. Macaluso, Sponsor of both Bills, introduced the Parliamentary Agent, Mr. McKimm, and the witnesses.

On motion of Mr. Macdonald (*Rosedale*), seconded by Mr. Laflamme,

Resolved,—That the committee seek permission to sit while the House is sitting this day.

At 1.15 p.m. the committee adjourned until 3.30 p.m. this day, if permission to sit is granted by the House.

AFTERNOON SITTING

(18)

The Committee resumed at 4.10 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Andras, Basford, Cashin, Clermont, Comtois, Gray, Irvine, Laflamme, Leboe, Macdonald (*Rosedale*), Monteith, More (*Regina City*), Munro, Valade (14).

In attendance: The same as indicated at the morning meeting respecting Bills S-11 and S-12.

The Committee resumed consideration of the preambles of Bill S-11, An Act to incorporate Income Life Insurance Company of Canada and Bill S-12, An Act to incorporate Income Disability and Reinsurance Company of Canada.

The Parliamentary Agent, Mr. McKimm, explained the purpose of the two Bills, and Mr. Humphrys stated that his Department is satisfied with these applications.

Mr. Humphrys, Mr. McKimm and Mr. Brunning were questioned.

The Committee then proceeded to consideration of Bill S-11 only, and the Preamble and clauses 1 and 2 were carried.

On clause 3

Mr. Humphrys and Mr. Brunning were questioned and the clause was carried.

On clause 4

Mr. Humphrys was questioned and the clause was carried.

On clause 5

Mr. Humphrys was questioned and the clause was carried.
Clauses 6 and 7 were carried.

On clause 8

Mr. Humphrys was questioned and the clause was carried.

Clauses 9 and 10, the Title and the Bill were severally carried.

Ordered,—That the Chairman report the Bill without amendment.

The Committee then resumed consideration of Bill S-12, An Act to incorporate Income Disability and Reinsurance Company of Canada.

The preamble, clauses 1 to 10 inclusive, the Title and the Bill were severally carried.

Ordered,—That the Chairman report the Bill without amendment.

It was unanimously agreed that this day's Minutes of Proceedings and Evidence be printed.

At 5.15 p.m. the Committee adjourned to the call of the Chair.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, June 14, 1966.

● (10.00 a.m.)

(English)

The CHAIRMAN: I would like to call this meeting to order.

(Translation)

This sitting of the Committee on Finance, Trade and Economic Affairs is now open.

(English)

This morning, gentlemen, our agenda is composed entirely of a number of private bills involving various insurance companies. I am going to call the bills for our consideration in the order in which they have been referred to us by the House of Commons: Bill S-4, an Act to incorporate Aetna Casualty Company; Bill S-6, an Act respecting the Pacific Coast Fire Insurance Company; Bill S-8, an Act respecting General Mortgage Service Corporation of Canada and, finally, Bills S-11 and S-12, Acts to incorporate Income Life Insurance Company of Canada and to incorporate Income Disability and Reinsurance Company of Canada.

I am going to proceed in the following manner. As I call each bill I will invite the sponsor, the Parliamentary Agent and the witnesses to advance to the witness area to my right and to be seated. I will introduce the Parliamentary Agent who will introduce who he has with him and then make any preliminary statement he has in mind, following which I will call upon Mr. Humphrys, the Superintendent of Insurance, who is seated at my right for any comment he may care to add, and then we will proceed with questioning and discussion of the bills in the usual manner.

Therefore, I would like to call first Bill S-4, an Act to incorporate Aetna Casualty Company of Canada.

Gentlemen, if you would advance, please.

Mr. MACDONALD (*Rosedale*): Mr. Chairman, before we go any further, I wonder if I could just state for the record that I am interested in this particular application by reason of my professional association with a number of the applicants and I will, therefore, not participate in the discussion of this particular bill.

The CHAIRMAN: Thank you, Mr. Macdonald. This will be noted on our record.

I would ask everyone to speak into these microphones because our proceedings are being transcribed electronically and unless this is done properly the proceedings will not be recorded in the manner in which they would be.

I will first call upon the sponsor of this bill, Mr. Cameron, the member for High Park.

Mr. CAMERON (*High Park*): Mr. Chairman and members of this Committee, I have great pleasure in introducing Mr. George D. Finlayson, Q.C., the Parliamentary counsel; Mr. George E. Rhine, who is immediately to my left here and is Vice-President of the Aetna Casualty Insurance Company and the Standard Fire Insurance Company; Mr. Robert G. Espie on my far right, who is the Vice-President and Comptroller of the Aetna Life Insurance Company, the Aetna Casualty Surety Company and the Standard Fire Insurance Company; Mr. John C. Graham who is the general counsel for the Aetna Casualty Insurance Company and for Standard Fire Insurance Company; Mr. John Clarry, Q.C., a distinguished lawyer from Toronto, who is counsel for the petitioners and Mr. J. G. Coate who will be General Manager of the Aetna Casualty Insurance Company when it is in operation.

Mr. Chairman, if I may trespass on your time, the third item you called, the General Mortgage Service Corporation, I am also the sponsor for that bill and may I have the privilege of introducing the two gentlemen who will be representing that corporation at this time?

The CHAIRMAN: Yes, you can do so at this time. You can mention their names.

Mr. CAMERON (*High Park*): The honourable Charles P. McTague who is Chairman of the Board and Mr. Leo J. Whitney, Q.C., who is President of the Company.

Thank you very much, indeed.

The CHAIRMAN: We just had introduced to us Mr. Whitney and the honourable Charles P. McTague. They are involved with the bill respecting the General Mortgage Service Corporation which will be third on our list this morning. I permitted Mr. Cameron to introduce them now because he is also the sponsor of that bill and had begun to say something on the first bill before us. Thank you Mr. Cameron.

Now, in calling the preamble I would like to ask the Parliamentary Agent, Mr. John Clarry, to explain the purpose of the bill. Would you advance and be seated, Mr. Clarry.

Mr. John H. C. CLARRY Q.C. (*Parliamentary Agent*): Mr. Finlayson is appearing as counsel in this matter and with your permission I would ask him to proceed.

The CHAIRMAN: Thank you, Mr. Finlayson.

Mr. G. D. FINLAYSON, Q.C. (*Parliamentary Agent*): Thank you, Mr. Chairman. This bill seeks the incorporation of a company under the Canadian and British Insurance Companies Act to carry on business in all classes of insurance other than life insurance. The proposed company would be a subsidiary of the Aetna Casualty and Surety Company of Hartford, Connecticut.

The Aetna Casualty and Surety Company is a corporation carrying on a substantial insurance business in the United States of America with its head office at Hartford, Connecticut. Aetna Casualty with its subsidiary, the Standard

Fire Insurance Company, writes business in all classes of insurance for which application has been made in the bill to incorporate the Canadian company.

Now, the Aetna Casualty Insurance Company, that is the American organization, was organized in 1907 and it operated as a partially owned subsidiary of the Aetna Life Insurance Company until late in 1964. At that time a reorganization was effected under which all the shares of the Aetna Casualty and Surety Company were transferred to and are now held by a trustee for the shareholders of Aetna Life Insurance Company.

Aetna Life Insurance Company was incorporated and commenced business in 1853. The Aetna Life and Casualty organization now carries on business throughout the United States of America and is one of the largest multiple lines of insurers there is in the United States. So far as Canada is concerned, Aetna Life commenced doing business over 100 years ago. In 1960 the Aetna Life Insurance Company made an offer to the shareholders of the Excelsior Life Insurance Company of Toronto for the purchase of approximately 70 per cent of the outstanding shares of Excelsior. Aetna Life Insurance Company presently holds 70.91 per cent of the outstanding shares of the Excelsior Life Insurance Company. Substantially all new business in the life insurance field in Canada is underwritten by the Excelsior Life Insurance Company rather than by Aetna. Excelsior Life Insurance Company operates with all the complete autonomy and its operating management is entirely Canadian.

The Aetna Casualty Insurance Company of Hartford, which will be an insuring company of this company once it is incorporated, has conducted business in Canada for some years and has held a certificate of registry under the Foreign Insurance Companies Act for the past 47 years. A substantial part of the business conducted by the Aetna Casualty Surety Company has been related to business conducted by the company with United States corporations having subsidiaries operating in Canada. A certain amount of direct business has also been carried out, especially in connection with major risks, an example of which is the liability insurance for Expo '67. The company has not maintained any offices other than for the service of claims in Canada but it has carried on its general Canadian business through a chief agency in Montreal.

Now, the purpose of incorporating a company in Canada by the Aetna Casualty Insurance Company which is already carrying on business in Canada, is because the company has now concluded that it would be desirable that its direct Canadian business should be carried on by a Canadian company incorporated in Canada. It is the belief of the management that this step would enable the Canadian operations of the company to develop more effectively and with greater Canadian participation in the conduct of the business. In anticipation of expanding its operations in Canada, either through a Canadian company or through the United States company, Aetna Casualty Surety will establish an office in Toronto. It already has selected a Canadian to be general manager of its operations in this office, Mr. Choate who was introduced, and other Canadians have been selected to be in charge of the fidelity and surety operation.

Establishment of the Canadian company would provide additional capacity for the Canadian market which would be true with respect to all classes of

business which the company plans to write but it is particularly important in the surety bond field because of the vast construction projects which are planned in Canada in the future.

The Aetna Casualty Surety Company of Hartford now has claims offices in Toronto, Montreal, Quebec City, Hamilton, Winnipeg, Calgary and Vancouver with approximately 40 employees located in Toronto and another 50 spread throughout its other claim offices in Canada. All but four of the present employees are Canadian and all present employees will become employees of the Canadian company. Normal growth would indicate that by the end of five years, the employees would number 300 of which at least 95 per cent will be Canadian. The Canadian company would be under the direction of Mr. Choate, the General Manager, who would have charge of the company's operations throughout Canada.

Initially, underwriting, sales, engineering and accounting would be centralized in the head office in Toronto but if need becomes evident, these facilities would be placed in other important cities in Canada. Of course, the experience and services of the Hartford company would be available for the assistance of the Canadian company.

In conclusion, Mr. Chairman, I would just stress the fact that the company has, in fact, been carrying on business in Canada for many years and we are really submitting more to the jurisdiction rather than less in asking the Committee to approve the incorporation of a Canadian company. Our application has been fairly scrutinized by the Superintendent of Insurance and this is not a case of somebody coming in new; this is a company that has a background of experience and has been under the jurisdiction of the Superintendent for a good number of years and we are content that we have his support in this.

The CHAIRMAN: Thank you, Mr. Finlayson. Mr. Humphrys is the Superintendent of Insurance. Have you any comments to make at this time?

Mr. R. HUMPHRYS (*Superintendent of Department of Insurance*): I will make only a brief comment, Mr. Chairman and gentlemen. As Mr. Finlayson has indicated, we have discussed this project with the company when it was under consideration and so far as the department is concerned, we are satisfied that we have no objection to it.

The bill is in standard form and has no special features. It will require a minimum of capital \$500,000 paid and \$500,000 surplus before the company can start business. It is my understanding the company intends to capitalize it somewhat higher. The company cannot start business until it has received its certificate of registry under the Canadian and British Insurance Companies Act and we will, therefore, ascertain that the capital has been paid in before the company starts business.

We know the parent company well since it has been in Canada a long time and it is one of the very largest of casualty insurance companies in the United States.

I have no further comment, Mr. Chairman.

The CHAIRMAN: In short, then Mr. Humphrys, you would say that the applicants have met the requirements of your department insofar as they can be met up to this point?

Mr. HUMPHRYS: Yes, Mr. Chairman.

The CHAIRMAN: Do we have any questions?

● (11.30 a.m.)

Mr. VALADE: I would like to ask Mr. Finlayson a question in regard to the remark he made when he said that the company will eventually employ 300 people, if I understood him correctly, in the future, and that at least 95 per cent of these will be Canadian. Who will make up the balance of five per cent? Is it to provide for directors.

Mr. FINLAYSON: First of all, under the provisions of the Canadian and British Insurance Companies Act, the majority of the directors must be Canadian. The figure of 95 per cent is, I suppose, taken out of the air but it must be kept in mind that this company will be a subsidiary of an American company and certainly I would anticipate, at the top management level at least, there will be some participation by Americans. In other words, I do not want to find myself in the position of committing the company to being 100 per cent Canadian in its personnel though, of course, that is what they would strive toward.

Mr. WAHN: Mr. Chairman, could someone explain the significance of Clause 8 which says the Canadian and British Insurance Companies Act shall apply to the company? Does this have any particular significance or does that act not apply to any insurance company that is incorporated in Canada?

The CHAIRMAN: Mr. Wahn, I think we should wait until we get to the clause for that specific question.

Mr. Valade, do you have any further general questions?

Mr. VALADE: I just want to have a little information on the statement Mr. Finlayson has just made. I question his statement that there should be a five per cent margin because we must recognize that this being an American subsidiary the main responsibilities will, of course, be held by Americans. This is the conclusion I have drawn from Mr. Finlayson's remarks. I do not believe that we, as Canadians, should incorporate companies where five per cent is being reserved exclusively for American management. This is why I would like to have more information on this. I do not know why this restriction should be made in this connection.

Mr. FINLAYSON: I am afraid I did not express myself very clearly because I did not intend for one minute to suggest that there was to be a minimum of five per cent participation by Americans at any particular level. All I am saying is that when you have a company that is a wholly owned subsidiary of an American organization, I think it would be unrealistic for us to commit ourselves at this stage to 100 per cent Canadian participation in the management and operation of the Canadian subsidiary. Certainly the aim is 100 per cent but whether we will achieve it now or at any time is something with respect to which I am not prepared to give an undertaking to this Committee.

Mr. VALADE: Mr. Chairman, I am sorry if I persist in this particular respect but I think that when we, as Canadians, incorporate any insurance or other similar organization we should be very careful to ensure that the policies that are drafted or designed with regard to the director level should give priority to

Canadians first. We should make sure, in these incorporations, that the main officers or directors are Canadians because you know very well, in this respect, the importance that insurance companies have on our economy, in the mortgage or in any field of activity. In not providing for 100 per cent control by Canadians at the management or director level we are not discharging our responsibility as Canadians in order to protect our economy. The decisions of course, of any company are made by the board of directors. Perhaps we should say that 99 per cent of the directors of these American subsidiaries in Canada should be Canadians to ensure that before any decisions on policy, loans and so on are made we shall, first, take into consideration Canadian interests. I am pressing that point at this time.

The CHAIRMAN: Mr. Humphrys can you inform the Committee what the requirements of the law are at the present time, as well as any other comments you might want to make on this point.

Mr. HUMPHRYS: Yes, Mr. Chairman. As matters stand under the law, a United States company or a company from any country outside Canada, if it is in a strong financial condition can enter Canada and become registered under the Foreign Insurance Companies Act and transact insurance in Canada. Most countries offer reciprocal facilities to Canadian companies; they may enter foreign countries and transact business there. Where a company operates in Canada through a branch office such as the Aetna Casualty and Surety Company does now, the main direction of the company is, of course, at the home office of the company where the directors are situated and where the management is. The same thing applies when a Canadian company does business in the United States through a branch. But where foreign interests who want to do business in Canada incorporate a Canadian company, this requires a substantially larger Canadian content and a more extensive submission to Canadian laws and Canadian decisions than is the case of a branch. For this company the law will require that a majority of the directors of this Canadian company at all times be Canadian citizens resident in Canada. This will represent a substantial step forward in the degree of Canadian control and Canadian decisions on the policies of this company. If a Canadian company were doing business in the United States and wished to incorporate a subsidiary there are no restrictions, of which I am aware, that would require all the directors of that subsidiary to be United States citizens. It would be customary and usual that the parent company would have some representation on the board of directors. I feel that this move is a move in the direction that you were putting forward what will, I believe, create an increase in the degree of Canadian participation in the control and management of the company.

The CHAIRMAN: I believe this change in the law was made recently?

Mr. HUMPHRYS: The requirement that a majority of the directors of a Canadian company be at all times Canadian citizens resident in Canada has been in our insurance laws for some years.

Mr. VALADE: When we talk, Mr. Humphrys, of management or directors, are we talking about any special responsibility in the conduct of the policy of the company itself or do these directors have no power at all to decide the policy of the company?

Mr. HUMPHRYS: The board of directors is the highest management group in the company so the policy of the company would be established by the board of directors.

Mr. VALADE: I am asking this question particularly because we do not know that policies may be drafted in the United States by the parent company and applied to the subsidiary here in Canada without any change at all in the application of the policy. This is where I am concerned.

Mr. HUMPHRYS: This is possible, sir, but I believe that formation of a separate Canadian company with its management and its business directed primarily toward the Canadian market, it is more likely to result in management policies and general business practices that are designed for the Canadian market to a greater extent than would be the case if the company continued to operate a branch office here. I would say that so far as our department is concerned, we do not attempt to influence insurers either way, either through a branch office or through a subsidiary company but I do believe that the formation of a subsidiary company creates a stronger element of Canadian control and Canadian design in the insurance product than is the case where the operation is through a branch.

Mr. IRVINE: The statement given under the preamble was a little technical which made it a little difficult for a person such as myself to understand it completely. This, as I understand it, is to be a Canadian company, a subsidiary of Aetna of Hartford operating in Canada and handling casualty only. Is this right?

Mr. FINLAYSON: That is correct.

Mr. IRVINE: That would be everything but life insurance.

Mr. FINLAYSON: Yes.

Mr. IRVINE: You made the statement, I believe, that there would be roughly 300 employees eventually. At the inception, pending this incorporation, approximately how many employees would there be at that time?

Mr. FINLAYSON: The ones that we presently have who are operating in the branch in Canada will immediately become employees of the Canadian company; that consists of some 90 persons. I may say that the projection of 300 will be in about five years.

Mr. IRVINE: I presume for the purposes of training then, it would be necessary to bring in, perhaps, a few extra to start, would it not? This would sound rather reasonable.

Mr. FINLAYSON: Perhaps Mr. Rhine could answer that question better than I could.

Mr. G. E. RHINE (*Vice-President, Field Administration Department, Hartford, Conn.*): Sir, the number of 90, which is the present number, would be expanded immediately upon the opening of the full facilities in Toronto to approximately 115 or 120.

Mr. IRVINE: Of these 90 that you currently have, approximately how many of them would be Canadians?

Mr. RHINE: All but four are presently Canadians.

Mr. IRVINE: Within that 90 per cent who are employed right now?

Mr. RHINE: That is right.

Mr. IRVINE: Right now I am concerned with, as we all know, what were called guide lines that were established recently regarding Canadian subsidiaries of American companies and this, I believe, would fall under that category. What is the policy going to be of this company after it is incorporated with regard to those guide lines?

Mr. RHINE: We are familiar with the guide lines, sir, and we would hope to follow them and become a good Canadian corporate citizen.

Mr. IRVINE: You mean that you would hope to follow the guide lines as laid down by the United States or the ones that—

Mr. RHINE: I am sorry; I thought you were referring to the Canadian guide lines.

Mr. IRVINE: No, I was thinking of the guide lines laid down by the American government where I believe they suggested at that time that you do most of your purchasing from them and there are quite a number of things in this area that I think are very important to our own economy. You were making reference, I believe, to retaliatory guide lines.

Mr. RHINE: If I may repeat, we do expect to follow the Canadian guide lines. I have seen them—I have forgotten who presented them originally—but we have established a policy for purchasing in Canada, as a matter of fact, as many of the things as we can. We want to be as Canadian as possible and this is one of the reasons we have chosen Mr. Choate to be the general manager of this operation and two of the department managers, who already have been employed, are Canadians.

Mr. IRVINE: The thing with which I am concerned is that over a period of years, naturally, with the incorporation of a new company, you do intend to make a profit. Is it the intention of the company to re-invest that profit in Canada or is it the intention of the company that perhaps and are they willing to give an undertaking to us to the extent that this money will remain in Canada rather than be drained off to the United States, friendly thought we may be with them

Mr. RHINE: Well, sir, we could expect that the underwriting profits, if there are some, would be ploughed back into the Canadian company to reinforce its surplus and allow it to grow.

Mr. COATES: I have a couple of questions. I wonder if we could be informed how much business the company is writing at the present time?

Mr. FINLAYSON: In round figures, I believe the present business of the company was \$1,400,000 in earned premiums.

Mr. COATES: What is the breakdown between automobile, fire and casualty.

Mr. FINLAYSON: I would have to ask Mr. Espie to give you that information because I do not have the breakdown. I understand that Mr. Humphrys has the breakdown, sir.

Mr. HUMPHRYS: The statement for 1965 which was submitted to the department, shows direct premiums written by this company of \$1,400,000 of

which \$256,000 was personal property insurance; \$262,000 was surety; \$266,000 was public liability; \$297,000 was automobile liability, and \$29,000 was automobile physical damage.

Mr. COATES: Is it the intention of the company to continue operating in the same area or are they going to move into other areas?

Mr. FINLAYSON: It is the intention of the company to continue to operate in these areas and all of the casualty areas. In other words, we propose to expand the nature of our business in Canada.

Mr. COATES: Do you intend to become a national operation?

Mr. FINLAYSON: I think we are a national operation already. We propose to continue this.

Mr. COATES: And you operate through this branch in Toronto?

Mr. FINLAYSON: We already have claims offices all across the country from Vancouver right through to Quebec City. We have been writing insurance through Dale who, of course, have offices all across the country. The object of the Canadian incorporation is to expand the operation in Canada and there will be an energetic seeking of business through the new Canadian company in all casualty fields.

Mr. COATES: What does the incorporation do for you that you could not do before?

Mr. FINLAYSON: It does not give us the right to write any more insurance or any different classes but the company is anxious to become a part of the Canadian scene and it wants to emphasize its Canadian participation, its Canadian employees, its name, Aetna Casualty of Canada, and it feels that by incorporating in this country it can best promote its business interests.

Mr. COATES: In other words, I do not believe that any company incorporates just for the sake of becoming a part of the Canadian scene. I feel that if you are incorporating, you are doing so because you think you can make more money. I would like to know how you are going to make more money by incorporating than you feel you can make under the present operation?

Mr. FINLAYSON: It is just because Aetna has decided to come into Canada in a large way and from the point of view of administration and having a Canadian contact it is customary to have a Canadian subsidiary company; from the administrative and every other point of view it is an advantage.

Mr. WAHN: I have several questions arising from the discussion which has taken place. I think it is generally believed that we now have a large number of people who are Canadian subsidiaries of foreign owned companies and who should where possible, make their stock available in some measure to Canadians. Has this possibility been considered by the group now seeking incorporation?

Mr. FINLAYSON: Not at the present time because, frankly, I do not think there would be an interest in the Canadian company at this stage because it is going to lose money for some time. I do not think a stock issue would have any attraction to the public at all. There has been no decision made, so far as I

know, whether at a later stage when the Canadian corporation is an attractive package that there will be participation permitted in the Canadian company.

Mr. WAHN: Am I right in thinking, then, that the officials have considered the possibility of making stock available to Canadians but have decided not to do so because they feel the company will be unprofitable in the early years?

Mr. FINLAYSON: No, I do not think it is fair to say that they really considered it one way or the other. There is no point in considering it at this stage because they do not anticipate making any money during the early years anyhow.

Mr. WAHN: Speaking from recollection, and I may be wrong but I thought the Canadian guide lines to which reference was made earlier, indicated the desirability of companies such as this making stock available to Canadian citizens. Am I wrong?

Mr. FINLAYSON: I appreciate that, sir, but what I am saying is that we have not even reached the stage where it is worth considering issuing our stock to the Canadian public. Right now, nobody would buy it.

Mr. WAHN: Can you tell the Committee whether the policy of the parent company is not to make stock of its subsidiaries available to the nationals of the countries in which the subsidiaries operate. Is there any such policy? Or putting it more specifically, does Aetna have subsidiaries in other countries which have been in existence for some time and is stock made available in those subsidiaries in those other countries?

Mr. RHINE: If I may answer this sir, the only other country in which we have a subsidiary is in Canada and that subsidiary is the Excelsior Life Insurance Company and 30 per cent of its stock is held by Canadian citizens.

Mr. WAHN: That became a subsidiary by a rather different process.

Mr. RHINE: That is true.

Mr. WAHN: What is the real reason then why Aetna does not think it desirable to make stock available to Canadians? I ask this because it is generally believed this is desirable. Now if large and experienced companies such as Aetna, do not do this presumably there is some good reason and I think the members of this Committee would be interested in knowing the reason because perhaps we are wrong when we feel that Canadians should have participation in these companies.

Mr. RHINE: I believe, generally, it is felt that the reason stock should be made available is because minority interests would be taken into consideration if stock was made available. Stock is available to Canadians in the parent organization, which is the Aetna Life Insurance Company, and we have Canadian stock holders in the Aetna Life Insurance Company. Canadians now do have a voice in the operation of the parent organization.

Mr. WAHN: The officers of Aetna then believe it is not necessary or desirable for subsidiaries operating in other countries, such as Canada, to make the stock of the subsidiaries available to Canadians provided the stock of the parent company is available?

Mr. FINLAYSON: As I tried to emphasize, no decision has been made one way or the other about this because it is premature to even consider it. As Mr.

Rhine pointed out, the only other subsidiary that they have in any country other than the United States is the Excelsior.

Mr. WAHN: But companies have come into Canada realizing they are going to make a loss the first few years and have indicated when they came in that when they did get their business established they would take the Canadian people into partnership. One such example is Rothmans Cigarette Company that came in here; they knew they were going to take a loss for a few years but they indicated when they came in that when it became established it proposed to make 50 per cent of its stock available to Canadians. I would be interested in knowing whether Aetna really intends to make stock in this subsidiary available to Canadians or not. I think perhaps they have given it some consideration and I think the Committee should be told. I do not think it will necessarily affect the decision the Committee reaches but I think the Committee has a right to know. The officers are here and I think they can express their views.

Mr. RHINE: I do not think we are in a position today to make an unequivocal statement one way or the other, sir, on this point.

Mr. MONTEITH: I wonder if I might ask if the branches that are now operating in Canada are writing policies at the head office company in the United States. Is this correct?

Mr. RHINE: Yes, this is correct.

Mr. MONTEITH: And at a profit?

Mr. RHINE: It has not been profitable for the last year and a half.

Mr. MONTEITH: The company in future, after having become incorporated in Canada, would be writing policies of the Canadian subsidiary and you do not estimate this to be profitable for some time?

Mr. RHINE: Yes; by the very nature of the business it takes a while to become established and place it on a profitable basis.

Mr. MONTEITH: As an insurance company expands and writes more business it automatically has to have additional reserves and so on, so it does take time to get business really flowing before it starts to become profitable.

Mr. RHINE: This is correct.

Mr. MONTEITH: Does the parent company intend to start the Canadian company with additional capital or are you going to make up the losses by advances to the Canadian company?

Mr. RHINE: The proposed capital is \$1 million with a surplus of \$2 million. As indicated by Mr. Humphrys, the minimum requirements are \$500,000, I believe, for each but we propose to start it with the amounts which I mentioned.

Mr. MONTEITH: You think this will be ample to take care of any losses before profits commence to be made?

Mr. RHINE: We are hopeful of this.

Mr. MONTEITH: I have just one question, Mr. Chairman, of Mr. Humphrys. What is the total amount of casualty business written in Canada by Canadian owned companies—the percentage of the total by Canadian?

Mr. HUMPHRYS: It would be about 22 or 23 per cent, by Canadian owned, Canadian controlled companies.

Mr. MONTEITH: Do you have any idea what it was ten years ago?

Mr. HUMPHRYS: It has not changed very much.

Mr. MONTEITH: Thank you.

Mr. BASFORD: With whom will the new company reinsure its business?

Mr. RHINE: I would not be able to say specifically at this point, but it would depend upon the particular risk involved and selection would be made at that time of the reinsurers.

Mr. BASFORD: The reinsurers would not be the principal company?

Mr. RHINE: Not necessarily.

Mr. HUMPHRYS: It is the intention, as I understand it, to have the principal company maintain its registered status in Canada so that it is quite possible that it would accept reinsurance from the subsidiary, would it not, sir?

Mr. RHINE: Yes.

Mr. BASFORD: The insurance would be carried by Aetna of Hartford and most of the profits then insured with Aetna of Hartford.

Mr. RHINE: Well, as I said, sir, not necessarily. I think there will be need for other reinsurance.

Mr. BASFORD: Which conceivably could be with the parent company, with most of the premium income going to the parent company.

Mr. RHINE: Not necessarily.

Mr. BASFORD: Conceivably.

Mr. RHINE: Conceivably, yes.

Mr. HEES: Mr. Chairman, going back to something that was said a while back, when a company like this incorporates in Canada it is not doing it for the benefit of Canada; it is doing it for the benefit of the company—that is obvious, from the point of view of better public relations, better tax set-up and for various other reasons. It is purely a business decision that is going to benefit the company and that is all to the good. But saying that incorporation of the company in Canada is going to benefit the company, I think we are entitled to know what the intention of the company is regarding the issuing of stock and making stock available to Canadians. This is not something that has to wait until the company is making money. It is a very fundamental decision. It is something that the company should know at the present time and should be able to tell this Committee. I think that the officers of the company should find out, if they do not know now, and let us know what the intention of the company is going to be. Is it going to make its stock available to Canadians or not. This is not something that has to wait until the company starts making money; it is quite a fundamental at the moment and those who are appearing before the Committee today know the feeling of Canadian nationalism is quite important. It was brought up when the guide lines question came up earlier this year and, realizing that, I am surprised that the officials who have appeared

before us today do not have any idea whether or not the parent company intends to issue stock here in Canada. I think they should be in a position to know.

● (12.00 noon)

Mr. FINLAYSON: Mr. Hees, if I could just put this thought before the Committee. You must keep in mind that we are already carrying on business in Canada. The company is not coming here and asking for permission to open its operations in Canada and to carry on business in Canada. We have been doing this for 47 years. Now, it is quite true that we would not make the application to be incorporated unless we did not think that it would benefit the company, otherwise we would not go to this expense and this trouble. But I see nothing sinister, if I may say so, in the fact that a company, which has been carrying on business for 47 years proposes to incorporate and to expand its operation, which does not know when it will be in a position that it has a profitable operation or not, should know at this stage to what extent they are going to permit Canadian participation. If it is going to be five years from now, or ten years from now, we just do not know.

Mr. HEES: Mr. Chairman, I hope I did not indicate in any way that I felt there was something sinister about the transaction. I think we are very glad to have this company make this application; we like to have Canadian companies set up but you are doing this because it is going to benefit the company. We are all for it. I did not ask when the subsidiary is going to issue stock or the proportion of your stock. But I would like to know what the thinking of the Aetna Surety Company is when it applies for Canadian citizenship or the incorporation of its company, and if it intends, when the company comes to the point where it is making a profit, to issue a reasonable percentage of its stock to the Canadian people.

Mr. RHINE: This, of course, is a decision that would have to be made by the board of directors of the parent company. Unfortunately, none of us here are members of the board of directors of the parent company, nor are we in a position to say just what the board would do, now or in the future on this question. I am sorry, but this is the situation as it presently exists.

Mr. HEES: Well, I for one, would like to know. This is something that you should have come here prepared to state. It is a fundamental decision; it is an important thing. It is a matter of policy and I would think, knowing the feeling of Canadians about these matters, that you would have come prepared to say. It is something that the Aetna Insurance Company should have decided. Frankly, I would like to know.

Mr. RHINE: Sir, I can understand your concern and, looking at it in retrospect, it would have been well if we were in a position to answer this directly.

Mr. IRVINE: There were some figures given here on the amount of business written, I believe, last year. I am not sure that this is right. There was a certain amount for surety; I have the other figures but I did not get that one.

Mr. HUMPHRYS: \$262,000.

Mr. IRVINE: Now, there is one question I would like to ask, Mr. Chairman. In the expansion of these operations, which has been given as the reason for wishing incorporation, is it the intention of the company to go into direct sales

to the client in any way and, if so, are you going to handle this through insurance brokers? Will you be setting up, as we might term them, dealerships or whatever you wish to call them?

Mr. RHINE: We are, what is known as an agency and brokerage company and our policies will be sold through Canadian agents and brokers.

Mr. IRVINE: Only?

Mr. RHINE: Only. That is right.

Mr. IRVINE: They will not be sold directly to the customer?

Mr. RHINE: That is right.

Mr. IRVINE: I will ask Mr. Humphrys this question, if I may, Mr. Chairman. What protection do we have, through your offices, to make sure that this is the policy that a company follows after their incorporation? Suppose they decide five years from today that they are going to change their policy and instead of working through agencies and brokerages they are going to sell direct to the customer, perhaps put their own direct salesmen out on the road. What protection do we have against something like this happening?

Mr. HUMPHRYS: There is no prohibition against that type of operation under our statutes so as far as the governing statutes and the Insurance Department are concerned, we would not raise any objection if the company wished to pursue a policy of that type. Our main concern and where we would be active in an effort to protect the public, is to see to it that whatever contracts the company undertakes with the public that it is in a financial position to carry them out and does carry them out. But its particular system of marketing, whether it uses agents, whether it uses brokerage firms, whether it has its own salaried representatives that sell policies directly would, so far as the department is concerned, be a matter for the company to decide in accordance with its desires for business operation. But we would attempt to see to it that however it operated, that it was in a financial position to carry out its obligations and did do so.

Mr. IRVINE: The Department of Insurance would not necessarily frown on a change of policy in this direction?

Mr. HUMPHRYS: No, sir.

Mr. BASFORD: Mr. Chairman, we have had the company's view on the Canadian guide lines; could I have the company's view on the American guide lines?

Mr. FINLAYSON: I do not pretend to be an expert on these things but, as I understand it, the American guide lines are suggestions made to American companies but certainly there is no intention on the part of Aetna to withdraw profits from the Canadian corporation and take them back to the United States. The policy is to take the profits in the Canadian operation and put them back in the Canadian business in order to permit it to expand. Of course, we do not anticipate that there will be any profits for some time.

Mr. BASFORD: The present guide lines almost imply that American subsidiaries operating abroad should operate as arms of the United States foreign policy. Do I take it that you do not agree with that position?

Mr. FINLAYSON: Well, I am not sure whether or not I agree with the policy. I think that the question in which you are interested is to what extent is this company going to do that. I can only point out that the Aetna Life has substantially more capital invested in Canada than is necessary to meet its liabilities and has made no efforts to withdraw that money to the States, even though it is not required up here in Canada. So, certainly the policy of the company has not been to repatriate, if I can use that expression, investments in foreign countries.

Mr. BASFORD: Does Mr. Humphrys have figures on the amount of Canadian insurance business that is reinsured outside of the country?

Mr. HUMPHRYS: Most of the Canadian business that is reinsured is reinsured in other companies that are authorized to transact insurance in Canada. Therefore, it stays in the Canadian scene in the sense that the company that accepts the reinsurance treats it as part of their Canadian business and maintains assets in Canada to cover the liabilities. I think, from one point of view, you could say that practically all the reinsurance, stays in the Canadian scene; but I do not have any figures that would split the reinsurance ceded by all companies transacting insurance in Canada between Canadian controlled companies and other companies operating in Canada. There is some degree of reinsurance that is ceded abroad on an unlicensed basis but this usually only happens where the market in Canada is not sufficient to absorb it.

Mr. MONTEITH: May I ask one question of Mr. Humphrys. Could he give us any idea of the number of Canadian casualty companies which have subsidiaries in other companies?

Mr. HUMPHRYS: There are not any, sir. For casualty companies, there is no prohibition in the law against owning a subsidiary but Canadian owned, Canadian controlled companies have never done a very large business outside Canada in the casualty field. This is illustrated, in part, by the fact that Canadian owned and Canadian controlled companies have quite a small proportion of the business in Canada. Most of the capital and funds to capitalize companies in this field have come from abroad, over the years.

In the life insurance field, it is quite different. Canadian life insurance companies have always done a very large business outside Canada but until last year Canadian life insurance companies did not have the power to own subsidiaries. Our law was amended last year to enable them to own foreign subsidiaries.

Mr. MONTEITH: They just did it the way the Aetna is doing it in Canada now?

Mr. HUMPHRYS: That is right, sir.

Mr. MONTEITH: Thank you.

Mr. VALADE: Mr. Chairman, I want to come back to the remarks that were made by Mr. Finlayson concerning the capital stock of the company. It is specified in the bill that the amount of one share is \$50 which is a fixed, basic price for the actual stock. If this is the case, stock will be issued at \$50 when the company is incorporated. You said that no shares will be sold to Canadians or there is no policy as yet on that score. In your bill we are presented with an

executive or a group of people who are asking for this incorporation. Do you mean that these people who are applying for this incorporation will have no shares at all?

Mr. FINLAYSON: Oh yes; the directors will have shares. I do not want to mislead you in any way but the bulk of these shares are going to be subscribed for by the casualty company whose shares, in turn, are held in trust for the Aetna Life.

Mr. VALADE: Those directors will have shares, which is logical, if they are interested in the operation. What is the amount of the shares reserved for these directors?

Mr. FINLAYSON: They are obliged by law to hold a minimum of five shares each.

Mr. VALADE: Five shares each.

Mr. FINLAYSON: Five shares each at \$50 a share.

Mr. VALADE: This is a total of \$5 million divided into \$50 shares?

Mr. FINLAYSON: There is only going to be \$1 million worth of shares issued initially.

Mr. VALADE: What is the percentage of the total shares which the directors will hold?

Mr. FINLAYSON: It is very small.

Mr. VALADE: Are these people going to be the regularly appointed directors or are these names just being submitted for the purpose of incorporation. Does the company intend to change the directors.

Mr. FINLAYSON: I can answer that. The first one, Albert Bruce Matthews, is Major-General Matthews, who lives in Toronto and he certainly will remain on the board. He, in fact, is also a member of the board of directors of Aetna Life, let me say, even though he is a Canadian. He is also a director and officer of a number of Canadian companies and I believe, at the present time, he is the chairman of the board of Excelsior Life Insurance and he has been associated with Excelsior since 1946.

The CHAIRMAN: If I may interrupt here, I think, Mr. Valade, this particular question is more relevant to Clause 1 itself.

Mr. VALADE: Yes, but I did not want to jump from one clause to the other.

The CHAIRMAN: I think that from the point of view of orderly procedure we try to have questions of a more general nature on the Preamble and then, as I have already suggested to Mr. Wahn, we apply more specific questions to the relevant clauses.

Mr. VALADE: Mr. Chairman, I agree with your remarks but I would like to ask one concluding question. I should say it is more of a remark because I note that this is a casualty company which, of course, will insure risk either in industry or in any field of business. We know that there is a great deal of American subsidiaries in this country, in business and other fields. Will this affect our entirely owned Canadian insurance companies, and our parent

companies in other fields of activity? It might be natural for an American subsidiary in this country in any field, aircraft, automobile and so on to be more interested in insuring their casualty risk with parent American company, or a subsidiary of a parent company. Is it not the purpose of your company to make sure you will get those other American subsidiary firms established in this country to insure in your company? Is this the purpose of asking for incorporation.

Mr. RHINE: This, sir, is certainly not the primary purpose because we want to engage generally in the insurance business in Canada. We are already in a position to secure the insurance, if we are sufficiently competitive, of Canadian subsidiaries of American companies.

Mr. VALADE: Perhaps I did not make my point clear. We have entirely owned Canadian insurance companies and we know the bulk of the big business here in industries is carried on by American subsidiaries. In this regard I feel that we, as Canadians, should take means to protect our Canadian businessmen, who are on good terms with the Americans. But I feel that we should take the necessary means to make sure that our Canadian companies are protected in this regard. I hesitate to see American companies using a Canadian incorporation to get into this field of insuring American subsidiaries to the detriment of Canadian companies. This is the purpose of my remarks, and I do hope they might be taken into future consideration by our department.

Mr. WAHN: May I ask another question? Since the issuance of the recent Canadian guide lines and the statements by governmental officials of the importance of Canadian participation in financial institutions, has the Department of Insurance given any thought to whether it should consider this as one of the factors when recommending to a committee such as this incorporation of insurance companies, more specifically, where it is clear, as in the present case, that there is no present intent to offer any shares in the company to the members of the Canadian public? Has the department, in view of recent statements, reviewed what its attitude should be in making recommendations to this Committee.

Mr. HUMPHRYS: I would not say so, Mr. Wahn. In a situation such as this where the proposed parent company, the Aetna Casualty Surety, is already doing business in Canada in a substantial way, if they propose to incorporate a subsidiary company for the purpose of carrying on that prospect of their business and perhaps expanding it, we have not considered that the change is very great, and where it is a change, we have considered that it is a move in the direction of increasing the degree of Canadian control and the Canadian orientation of the operation. What change there is, I believe is in the direction in which the Canadian guide lines were aimed.

There is a further point that through the establishment of a subsidiary, the company must provide capital and surplus margins over and above its liabilities so that there are additional funds flowing in to capitalize that subsidiary which is not the case as long as the insurance is done through a branch office of the parent company; in that case there are only enough assets kept here to cover the liabilities. I think this kind of move is consistent with the broad objectives of the guide lines but we have not taken the further step of exploring the possibility of shares of a subsidiary being put on the Canadian market.

Mr. BASFORD: It seems to me from the questioning that the corporate community in Canada and the financial writers should take note of the questioning which indicates that this Committee, I think, very much welcomes new business and new companies but is becoming increasingly concerned about the degree of Canadianization of our corporate structure and that companies coming before the Committee are going to be asked increasingly more difficult questions to determine the degree of Canadianization of the Canadian corporate community.

The CHAIRMAN: Our proceedings are a matter of public record so your comments will be in a position to be noted by all those who are interested in this important topic.

Mr. CASHIN: I just realized that in the case of Mr. Basford, Mr. Chairman, that if he does not draw attention to them a second time, even the most observant are apt to miss them.

The CHAIRMAN: Perhaps you will continue that interesting discussion between yourselves in some other sphere.

Preamble agreed to.

The CHAIRMAN: On clause 1.

Mr. VALADE: Mr. Chairman, I wish to continue questioning Mr. Finlayson on Clause 1.

The CHAIRMAN: Mr. Finlayson, would you continue the explanation you were giving?

Mr. FINLAYSON: I had finished with Mr. Bruce Matthews. The next one is Melvin Kirkland Kenny and he will certainly remain as a member of the board of directors; he lives in Toronto and he is the president of the Excelsior Life Insurance Company, the first vice-president of the Canadian Life Insurance Officers Association and he has been associated with the Excelsior Life Insurance Company since 1945. The next one is Mr. Clarry who has been introduced; he is a lawyer from Toronto and he would stay on the board. The others are all associates of mine, as is Mr. Clarry; they are all lawyers and they will certainly be staying on for the next few years but I would anticipate that in time some of them would be replaced.

Mr. BASFORD: As a lawyer, might I ask how the company expects to make any money when there are so many lawyers around?

The CHAIRMAN: I thought you had a higher regard for the professional abilities of people in our sphere than that, Mr. Basford.

Clauses 1 to 7 inclusive agreed to.

Mr. WAHN: May I ask my question on clause 8. What is the significance of this clause?

Mr. HUMPHRYS: It is a standard clause, Mr. Wahn, that is put in all of these private bills to make sure that the general act, the Canadian and British Insurance Companies Act, applies beyond doubt to all these insurance companies.

Clause 8 agreed to.

The CHAIRMAN: Shall the title carry?

Mr. VALADE: Mr. Chairman, I just want to make a brief remark on the title. I would suggest that either the Committee of the Department of Insurance should study the possibility of showing in the title of the subsidiaries, the residence of the parent company. I think this should be so when the company is not controlled by a majority of Canadians. This title is a little misleading to us when it says an Act to incorporate the Aetna Casualty Company of Canada. In fact, it should read, Aetna Casualty Company, Hartford, of Canada. In this way, if the majority of shareholders are not Canadians it can be easily identified whether it is a Canadian company or not a Canadian company. This suggestion would protect our Canadian interests in this regard.

The CHAIRMAN: Perhaps it is something which the department may take under consideration.

Mr. VALADE: Could we have an opinion from Mr. Humphrys? Is it done in other fields, Mr. Humphrys?

Mr. HUMPHRYS: It is not customary, Mr. Valade. I think that in most cases where corporations want to form a subsidiary in a particular area or jurisdiction they attempt to link the subsidiary with that jurisdiction and thus the tendency is to put in words such as this to indicate where the company is incorporated and also to draw a distinction between this company and the parent company which may be operating in Canada also. This has followed a practice that has been quite common over the years. We looked at the name from the point of view of possible conflict of that with other companies, its descriptive character, and we felt that as a department we had no objections to it that we wished to raise before the Parliamentary Committee studying this problem.

Mr. VALADE: I feel that the title may be very misleading because I see in Clause 1, for instance, where the company wants it La Compagnie Aetna Casualty du Canada which, because it is a French name, will cause an attraction to the people of Quebec or other people of French expression in this country when, in fact, there is nobody at all on that board nor is there any intention of the company to include any representation from French Canada which might constitute a third or two-thirds of the company's business in the future. This is the kind of title with which I wish we could deal in the future, and if the company is not a Canadian company I do not know why we should not ask them to incorporate the residence or country of origin in the title. I just made this remark for the benefit of the Committee.

Title agreed to.

Bill agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Thank you very much, gentlemen. You are excused; it is not necessary to remain.

I would now like to call the next item on our agenda, Bill S-6, an Act respecting The Pacific Coast Fire Insurance Company. Mr. Basford would you advance with the Parliamentary Agent and witnesses.

● (12.30 p.m.)

Mr. Basford, who is the sponsor of the bill, will introduce the people who are supporting this bill.

Mr. BASFORD: Mr. Chairman, I would like to introduce to the Committee Mr. Jean Richard, whose father is well known to you, and who is here as Parliamentary Agent; Mr. Cutler as Managing Director of the company; Mr. Porter who is the Marine Manager for Canada and Mr. de Lobe Panet, who is Parliamentary Agent.

The CHAIRMAN: Would the Parliamentary Agent explain the purpose of the bill?

Mr. JEAN RICHARD (*Parliamentary Agent*): Mr. Chairman, honourable members, the purpose of the bill is twofold, first, to change the name of the Pacific Coast Fire Insurance Company to that of the Century Insurance Company of Canada in English and in French, to that of La Compagnie d'Assurance Century du Canada; the second purpose is to provide for an increase in the capitalization of the company from \$1 million to \$2 million.

The Pacific Coast Fire Insurance Company was initially incorporated as a provincial company under the laws of British Columbia in 1890. In 1908 the company applied to Parliament and received a charter. Since 1920 the Pacific Coast Fire Insurance Company has belonged to the century group of insurance companies which has its head office in England. The head office of the Pacific Coast Fire Insurance Company is at Vancouver, B.C. The company presently carries on business in every province of Canada except Prince Edward Island and also writes contracts of insurance in the United Kingdom and the United States. In addition to its offices in Vancouver it has branch offices in Calgary, Edmonton, Winnipeg, Toronto and Montreal. The company writes all classes of insurance except life insurance.

I think that is all I can usefully say at this time, Mr. Chairman. Thank you.

The CHAIRMAN: Thank you, Mr. Richard, Mr. Humphrys, is this request satisfactory to the department so far as the policies and procedures are concerned?

Mr. HUMPHRYS: Yes, Mr. Chairman. The change of name is intended to describe the link of this company with the parent group and the increase in capital is to enable the company to strengthen its financial position and to be better able to expand its business in Canada.

Preamble agreed to.

Clauses 1 to 3 inclusive agreed to.

Title agreed to.

Bill agreed to.

The CHAIRMAN: Shall I report the bill without amendments?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Thank you, gentlemen, you may retire.

I would now like to call Bill S-8, an Act respecting General Mortgage Service Corporation of Canada. The sponsor has already introduced those

supporting the bill. I would like to ask Mr. Whitney and the honourable C. P. McTague to advance and be seated. Mr. Whitney, you will explain the purpose of the bill.

Mr. J. L. WHITNEY (*Parliamentary Agent and President, General Mortgage Service Corporation of Canada*): Thank you, Mr. Chairman. Mr. Chairman and members, the purpose of this bill is to make a change in wording in connection with two items: one, the name and in Clauses 1, 2 and 3, this is dealt with; and the other is a change in the name of our bonds.

With respect to the name, we have had the word "service" in the name in English but not in French. When we applied for our French translation name it was found that the word "service" could not be properly translated into French with any meaning in those areas where people are used to French connotations. Also, the word "service" has caused us some difficulty in English because instead of being regarded and having the image of a Canada loan company there has been confusion created and people have thought of us as a mortgage brokerage operation instead of a Canada loan company. So the word "service" has proven quite useless to us and, in fact, it has been misleading. Clauses 1, 2 and 3 deal with the idea of asking Parliament to let us drop the word "service" from the English form of the name.

In Clause 4 we deal with the dropping of another word, "mortgage" in connection with the description of our bonds. This corporation raises its funds by issuing two series of bonds; in A fund it maintains security, which is N.H.A. mortgages, and against those mortgages in that fund we issue a bond and we have called it from the inception of this company in 1961, Series A Mortgage Bonds. We also maintain a fund known as the B fund in which we put conventional mortgages, that is mortgages not N.H.A. guaranteed. From this fund we issue bonds which we have called Series B Mortgage Bonds. The difficulty has been that in the underwriting areas people think of a mortgage bond as being a bond directly secured on real estate; in other words, the company takes its real estate, trustees it and a trustee issues bonds directly on the security of that real estate. So there has been confusion caused because our bonds are not in that strict technical sense mortgage bonds because our bonds rest on the security of mortgages which are securities for money rather than directly on real estate. To remove this confusion in the underwriting field so that the salesmen and the underwriters do not run into confusion in dealing with people considering the purchase of our bonds, we would like to change the Series A Mortgage Bonds description which is in our statute to Series A Bonds and the description of Series B Mortgage Bonds as now appearing in our statute to Series B Bonds.

The CHAIRMAN: Thank you, Mr. Whitney. Mr. Humphrys, do these requests meet the requirements and policies of your department?

Mr. HUMPHRYS: Yes, Mr. Chairman; we have no objections to this. We had the Secretary of State make a search of the name as proposed here to make sure that it would not conflict with the name of any existing companies. We found three cases where the name was close. We made inquiries and two of those companies are not in active operation, not in good standing; the other one is a small company in New Brunswick, the General Mortgage Savings and Loan

Corporation. Mr. Whitney called the attention of that corporation to the change and asked if they had any objection and no objection was forthcoming.

The CHAIRMAN: Thank you, Mr. Humphrys.

Mr. MACDONALD (*Rosedale*): Apart from the interest of the New Brunswick corporation, how about the interest of the general public who might well be confused between the two corporate bodies? Is there not a further interest that bears regards in this respect?

Mr. HUMPHRYS: There is, Mr. Macdonald, and this is, of course, one of the main reasons that we study these names and have a search made. We considered, however, that the change here, dropping the word "service" probably made the name more descriptive of what the company was doing and we thought since this company is not actively operating in New Brunswick and the New Brunswick company is quite small and local in its operation, that there would not likely be any problems from the point of view of the public interest.

Mr. MACDONALD (*Rosedale*): I believe that under some of the corporate jurisdictions there is a requirement if there is this close name that the company could, at a future date if public confusion results, be required to change its name. Do you exact the same condition before you give your approval to this application?

Mr. HUMPHRYS: No, sir; it would not be open to us to impose such conditions. If this bill is approved, the name would be granted by Parliament.

Mr. MACDONALD (*Rosedale*): It would be up to Parliament then to do that?

Mr. HUMPHRYS: We have in the insurance area a great many cases where the names are quite similar and we have not had any reason to think that public confusion has resulted.

Mr. MACDONALD (*Rosedale*): Could you advise me if the provincial equivalent of the Superintendent of Insurance would, in your view, have any registering jurisdiction over this company if it sought to carry on business in New Brunswick?

Mr. HUMPHRYS: I believe it would have to become licensed—

Mr. MACDONALD (*Rosedale*): Mr. Whitney is nodding his head. It would be necessary to make application to the provincial authorities?

Mr. WHITNEY: Yes. We not only have a licence under Mr. Humphry's department but because we operate in Ontario we also have to take out a licence there. We would have to do the same thing in New Brunswick.

Mr. MACDONALD (*Rosedale*): I suppose if there was any risk the question would come at that time?

Mr. WHITNEY: That is right and we would have to resolve it then.

Mr. MACDONALD (*Rosedale*): Thank you.

Mr. VALADE: I would like to ask the applicant what business they are transacting?

Mr. WHITNEY: Did you wish me to answer?

The CHAIRMAN: Yes, Mr. Whitney.

Mr. WHITNEY: We are under the Canada Loan Companies Act; we are strictly a mortgage loan corporation, first mortgages only.

Mr. VALADE: Why do you restrain the definition of loan in your incorporation title?

Mr. HUMPHRYS: I think, Mr. Valade, they are striking out the word "service". That is all.

Mr. VALADE: I see. You do not imply "loan" at all in your incorporation?

Mr. WHITNEY: No, just the word "mortgage". It is strictly mortgages.

Mr. VALADE: Are these mortgages in a general way for any business; is it on real estate specifically or in any kind of activity?

Mr. WHITNEY: No, it is just first mortgages on immovables, on real estate only.

Mr. VALADE: I am just trying to make sure that this word does not clash with Central Mortgage and Housing in its application or in its connotation. Mr. Humphrys, is there any liaison in this connection?

Mr. HUMPHRYS: This was discussed at great length, Mr. Valade, when the company was incorporated in 1961. The original proposed name was the National Mortgage Corporation of Canada and that was objected to by the Central Mortgage and Housing Corporation for the reason that is in your mind. But when the word "national" was dropped and replaced by the word "general", that corporation withdrew any objection.

Mr. BASFORD: We have a great shortage of mortgage money in Canada now, apparently, and some weeks ago the Minister of Labour, as the minister responsible for Central Mortgage and Housing Corporation, in announcing the amount of loans that Central Mortgage would be making for the year, called upon private loan companies to increase the amount of loans available for first mortgage house construction. I am interested in the company's reaction to that request from the government.

Mr. WHITNEY: Well, sir, we would be delighted to expand our businesses as rapidly as possible. The difficulty is that at the moment it is not very easy to encourage funds; we have to borrow funds through the issue of bonds and then lend it out again on mortgages. I think it is quite right that most of the companies are in a restricted position at the moment in the availability of funds available to them which they could resort to to lend out again on mortgage lending.

Mr. BASFORD: In view of the fact that you are in the business, sir, how can government, therefore, increase the amount of private money available for home construction?

Mr. WHITNEY: I do not know, sir, that I would be freely qualified to offer anything in the way of a definite opinion there but if government could do something or anyone could do anything to increase the money supply in Canada that could come to us through investment in our bonds then we could, in turn, be able to do something to increase the number of mortgage loans available to applicants. There is definitely a lack of sufficient funds to maintain the pace that is now being set by the demand of those people who wish mortgage funds made

available to them. There are many projects that are stalled because of the lack of funds. We would be delighted to be able to do more business but at the moment we are all under restrictions because of the lack of funds. Our funds have to come from people who invest in bonds. We are not in the deposit business; it is excluded from our activities under our act. We have only one source of getting our funds and that is by putting out our bonds to investors.

Mr. BASFORD: Are your bonds available?

Mr. WHITNEY: Yes, they are always available. It is an open end fund.

The CHAIRMAN: This is a very interesting field of inquiry but it has just occurred to me that if I allow these questions to proceed the Committee may feel it is not strictly relevant to a bill whose purpose is to change the name of the corporation and to also change the title of certain of the bonds that the corporation has issued.

Mr. BASFORD: It is very relevant because the gentleman speaking to the bill explained in connection with Clause 4 the difficulty in selling their bonds. Therefore, these questions are relevant to the sale of their bonds and how you can get more bonds sold so that you can have more mortgages available. I would like to ask the spokesman for the company for the last fiscal year what was the proportion of mortgage monies lent out or the ratio between commercial mortgages and home mortgages.

The CHAIRMAN: Are you referring to the entire market or this company?

Mr. BASFORD: This company.

Mr. WHITNEY: I would not have exact percentages in mind or the figures with me to give you an accurate answer on that but I would say that most of our loans, possibly up to 75 or 80 per cent, have been in the single and multiple housing field, and the balance in commercials.

Preamble agreed to.

Clauses 1 to 3 inclusive agreed to.

The CHAIRMAN: Shall Clause 4 carry?

Mr. BASFORD: I have a technical question to direct to Mr. Humphrys, I suppose. Is it not necessary to provide that the rights now existing under the old name of these mortgage bonds will be preserved under the new name?

Mr. HUMPHRYS: I would think, Mr. Basford, that any bonds issued by the company under the statute as it was, that is, called mortgage bonds would be definite obligations on the company since the Interpretation Act does not change the fact that even though an act is amended, steps taken under the act as it then was are still binding on the company, so the change I do not think would destroy or weaken the obligations of the company to persons who have bought bonds with the word "mortgage" in it. This would apply henceforth and direct the company's activities in its new issue.

Mr. BASFORD: I do not want to be difficult but you do not feel there should be an amendment just to make positive that that is the case, that the rights and liabilities are not affected by the change of name in these bonds?

Mr. HUMPHRYS: I am giving my understanding of it, Mr. Basford. I do not put it forward as a legal opinion. Perhaps Mr. Whitney, who is himself a lawyer, could answer that.

Mr. BASFORD: I think it is quite a serious question.

Mr. WHITNEY: In most cases, obligations issued by a corporation, call them by whatever name you like, are still legal obligations. It just so happens that in our case in setting up our funds, our A Fund and our B Fund in the original statute, that we did attempt to give a descriptive title. In my own opinion we are only changing the descriptive title and not, in any way, dealing with the essentiality of the legal obligation.

Mr. BASFORD: Would it not be easier to just move an amendment which would add on to Clause 4 that "Nothing contained herein shall in any way impair, alter or affect the rights or liabilities of the corporation".

The CHAIRMAN: Mr. Basford, I have a suggestion along the lines of yours which might even be simpler. If the Committee agrees unanimously perhaps we could revert to Clause 3 and change the first line of Clause 3 so it would read: "Nothing contained in sections 1, 2 and 3 of this Act"—or "4", I should say.

Mr. MACDONALD (*Rosedale*): Mr. Chairman, not only the first line but the third from last line also.

The CHAIRMAN: Yes. Perhaps with unanimous consent of the Committee we might revert to Clause 3 and make the necessary amendment. If this meets with the satisfaction of the Committee perhaps someone could so move.

Mr. BASFORD: I would move that but the Parliamentary Agent might like time to consider the matter, however.

The CHAIRMAN: If they are prepared to say something about this suggestion at the moment it might be easier to dispose of it at this time. Mr. McTague, do you have a comment at this time?

The Honourable Charles P. McTAGUE (*Chairman of the Board, General Mortgage Service Corporation of Canada*): I think that we are in a position to consent to your suggestion, which would read, "nothing contained in sections 1, 2 and 4," and then "sections 1, 2 and 4" at the bottom. I think that is agreeable.

The CHAIRMAN: If the Committee would support this suggestion I have made which seems to be satisfactory to the people who are active for this bill, perhaps this might be the easiest way rather than add to it.

Mr. BASFORD: I move that section 4 be added in the first line of section 3 and in line 22.

The CHAIRMAN: With the necessary consequential changes.

Mr. MACDONALD (*Rosedale*): I second the motion.

The CHAIRMAN: We have reverted to Clause 3 by unanimous consent. Does this amendment meet the approval of the Committee?

Amendment agreed to.

Clause 3, as amended, agreed to.

Clauses 4 and 5 agreed to.

Title agreed to.

Bill agreed to.

The CHAIRMAN: Shall I report the bill with amendments?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Thank you, gentlemen; you may retire.

Mr. MONTEITH: Mr. Chairman, before you move on to the next two bills, I do not know whether there will be much questioning in respect to them or not, but do you not think that you could get unanimous consent to sit this afternoon, following orders of the day to deal with them. I know that I had a luncheon engagement 25 minutes ago.

The CHAIRMAN: I have already foreseen the possibility and have asked the clerk to prepare a possible motion and so, I would be inclined to try and proceed. For instance, I understand that some of the witnesses had felt that they might have been able to have this dealt with this morning and made certain travel arrangements. Perhaps we could continue for a while.

Mr. MONTEITH: I would be very happy to continue but if there is going to be any real questioning develop I am afraid you will have to excuse me.

Mr. CASHIN: Mr. Chairman, I would like to say that I have a committee meeting at one o'clock and as I am the chairman of the committee I presume they would like to have me there.

The CHAIRMAN: I can see your point.

Mr. BASFORD: I am under the same difficulty; I have missed a meeting that I had to be at at 11 o'clock and I now have one at one o'clock.

Mr. MACDONALD (*Rosedale*): Perhaps, Mr. Chairman, we could continue until one o'clock; then Mr. Cashin's colleagues might be satisfied if he is only one minute late.

The CHAIRMAN: Let us begin and see how we get along.

Mr. BASFORD: I think these are two incorporations of new companies.

The CHAIRMAN: That is so. We could spare Mr. Cashin perhaps because he is a committee chairman. I am not saying who should be spared without derogating from our requirements as to quorum. Since some people have been saying things for the record, I will say something for the record; it is unfortunate that other committees do not adjourn promptly at the time required, just bearing in mind the time necessary to clean up the room, assemble and so on. Perhaps we might keep this in mind when discussing it with those who are in charge of setting up these meetings.

I would like to call Bill S-11,

(*Translation*)

an Act to incorporate Income Life Insurance Company of Canada.

(*English*)

I would like to ask the sponsor, Mr. Macaluso, to introduce those who are supporting it and, perhaps to save time, those who are supporting Bill S-12 as well.

Mr. VALADE: I do not know if this would be agreeable to the witnesses or those who represent the company, but I wish that this Committee would take its job a little more seriously. When matters of such importance are referred to a Committee of the House of Commons I do not think any pressures should be brought to bear on sponsors or anyone else. The members have duties to perform elsewhere. This is no reflection on the Chair; I am just making a comment. I think that people addressing themselves to any committee of the House should recognize the fact that we have obligations, responsibilities and duties elsewhere too. It is no fault of ours; it just happens this way and I think that people should recognize that and ask for a postponement in their own interest because certainly we do not want to be rushed or pressured into decisions or cutting short our questions.

The CHAIRMAN: Just one moment please. There is no suggestion that anyone is being rushed or pressured. This meeting was set up specifically to deal with these private bills and I think that is an indication that the attention of all those concerned, both on the part of the Committee and those who are interested in putting forward these bills, that they be given all proper consideration. We have no way of knowing in advance the extent of the questioning and I think that since this is, in effect, almost a special sitting of this Committee to give proper consideration to these bills, we might attempt to go on for a bit now and, if necessary, attempt to have another sitting of the Committee this afternoon.

Mr. VALADE: Mr. Chairman, on a point of order I do not want my objections discussed in this light. We do not know how long it is going to take. If somebody suggests we adjourn at one o'clock this just leaves us five minutes.

The CHAIRMAN: It was not my suggestion that we take five minutes on the bill. All I felt that we might do was, at least, begin our consideration and then we might have some idea as to the extent of questioning it might entail and then—this is very likely to happen—I might ask the Committee to ask me to ask the House at 2.30 o'clock for permission to sit this afternoon. Actually we do have permission to sit during our study of the Trade and Commerce estimates. Technically speaking, a strong argument could be made that since we have not completed this study, we do not need this permission.

Mr. MONTEITH: I do not think so, Mr. Chairman. It is very obvious we are not going to get very far right now. I suggest really that you present the motion to the House. Mr. Cashin is leaving; I am leaving.

The CHAIRMAN: I think the best thing to do is this. Let Mr. Macaluso, as sponsor of the bill, simply introduce those who have come to support it. I will then ask the Committee to adopt a motion, which I will present at 2.30, for leave to sit this afternoon, even though, as I said, we might argue that we have the permission anyway. Assuming it is granted, and I do not see really why it may not be, we will meet again after orders of the day, in this room.

Mr. MACALUSO: Mr. Chairman, if I might make a couple of comments. There was no attempt at any time to pressure members of this Committee to push on with this. Mr. Chairman, the witnesses who are here on Bills S-11 and S-12, as we all very well know, are prepared to stay here all day or as long as is necessary. I would take some objection to Mr. Valade's statement that there

is any pressure being exerted to try to have this bill go through in a very short time. I do so, knowing that we all have committees to attend; at the same time witnesses do come from far away places to come to this Committee and I think that should be recognized also.

● (1.00 p.m.)

Mr. Chairman and members of the Committee, I have the pleasure of introducing to you both Bills S-11 and S-12 which are companion bills, two separate companies but the same presentation can be made from the witnesses and they can be dealt with at the same time, perhaps.

Mr. William E. Brunning on my immediate left is President of both Income Life Insurance Company and Income Disability and Reinsurance Company; then Mr. R. W. McKimm, the Parliamentary Counsel; Mr. E. Dodd, Comptroller of both companies and Mr. H. Soule, Q.C., a director of both companies. These gentlemen are involved in Bill S-11 and Bill S-12.

The CHAIRMAN: Thank you, Mr. Macaluso. I now invite a motion that we seek permission to sit today while the house is sitting.

Mr. MACDONALD (*Rosedale*): I so move.

Mr. LAFLAMME: I second the motion.

Motion agreed to.

The CHAIRMAN: This Committee stands adjourned to the call of the chair, and unless you hear otherwise we will convene after the orders of the day today.

AFTERNOON SITTING

● (4.00 p.m.)

(*English*)

The CHAIRMAN: I would like to call the Committee to order.

(*Translation*)

This sitting of the Committee on Finance, Trade and Economic Affairs is now open.

(*English*)

We are now dealing with Bill S-11, an Act to incorporate Income Life Insurance Company of Canada.

At the conclusion of this morning's session the sponsor of the bill, Mr. Macaluso, introduced the Parliamentary agent and the witnesses who are here in support of the bill. I would like, therefore to call upon the Parliamentary agent to explain to the Committee the purposes of the bill.

Mr. R. W. MCKIMM (*Parliamentary Agent*): Mr. Chairman and honourable members, with your permission I would like to deal with both Bills S-11 and S-12 since both companies, for reasons which will appear, are somewhat related in the technical sense and the ordinary sense.

Bill S-11 deals with the Income Life Insurance Company of Canada. There is in existence today, and operating in Canada, a company under the same name which was incorporated on December 9, 1963. The principal business of the operating company, that is, the Ontario company, is the sale of life insurance in the ordinary life insurance business.

Bill S-12 deals with another company which was incorporated in Ontario on September 19, 1960, and which also has been carrying on business since that time in Ontario and in three other provinces as has Income Life. Income Disability's principal business is the sale of disability and group accident and health policies.

The purpose of incorporating by act of Parliament is, of course, to attract to both of these companies the benefits and advantages and attributes which go along with federal incorporation and operation under, and pursuant to, the powers and responsibilities imposed by the Canadian British Insurance Companies Act. In the case of Income Life in particular it will permit that company to operate on a national basis, and I think that honourable members may know that in two of the provinces of Canada you may not sell life insurance, or be in the life insurance business, unless you are federally incorporated.

If these two companies are incorporated and the takeover from the provincial companies is completed as is contemplated by both bills, the companies will carry on essentially the same business as they are now carrying on, that is, the Income Life Company will primarily be in the life insurance business, and Income Disability in the group accident and health business. You will note, however, in the study of both bills, that both companies will have the same power, as is set out in section 7 of each bill, to deal in life insurance, personal accident insurance and sickness insurance. The reason for that is so that each company may reinsure in the other company in respect of policies underwritten in its principal field.

I should explain at this time that both of these companies are now public companies. There have been public underwritings of each company, and I will deal with the capitalization a little bit later, if I may.

Both companies have three officers in common. The president of both companies is Mr. W. E. Brunning of Burlington, on my right. Mr. Brunning is a former president of Western Life Assurance Company for a four year period from 1956 to 1960, and has been in the insurance business since 1936; with Monarch Life in 1936-37; from 1937 to 1947 with Montreal Life and from 1947 until 1956 with North American Life and Casualty.

Mr. Charles Flood, who is not present this morning, is also from the Hamilton area and is the secretary of both companies as well as the chief underwriter for both companies. He was formerly a supervising underwriter of the accident and health department of the Great West Life for a period from 1951 to 1954 and of North American Life and Casualty and Western Life from 1954 to 1961.

Mr. Charles Alfred Read of Winnipeg is the treasurer of both companies. He does not serve on a full-time basis but in a consulting capacity to both companies.

Insofar as Income Life is concerned, Mr. Norman James of Winnipeg is the vice-president and managing director. He joined the company in 1964 and is a chartered life underwriter with many years' experience with both Canada Life and Global Life Insurance companies.

With me, today, along with Mr. Brunning, is Mr. Halliwell Soule of Hamilton, who had acted as general counsel for both companies. He is a

graduate of Osgoode Hall Law School, a Queen's Counsel in 1962, and is the president of Hamilton Trust Corporation.

Also present is Mr. Eric Dodd, who is a chartered accountant and the comptroller of both companies, having joined the companies two years ago. Mr. Dodd is well experienced in life insurance matters, having been chief examiner for the Ontario Department of Insurance prior to joining these companies.

As I indicated before, both companies have had public underwritings, Income Life in February 1964, and Income Disability in April 1965. These being relatively new companies—and this I understand is not uncommon—the shareholders of the companies entered into voting trust agreements whereby all the shares of both these companies are deposited by agreement and consent with trustees named under a voting trust agreement. The purpose of this is to maintain safe and competent management of the company and continuity in its policy during the first years of the company's existence.

Both companies are Canadian companies, of course, having been incorporated under Ontario law. There are outstanding, today, in Income Life, approximately 347,000 shares, distributed among some 2,500 shareholders, and 99.5 per cent of these shares are held by Canadians. In the case of Income Disability, there are 244,400 shares outstanding—these are approximate figures—distributed among some 1,500 shareholders, and 99.8 per cent of those outstanding shares are held by Canadians.

Both companies operate from the one head office. The total number of employees of both companies at this time is approximately 65, of which approximately 50 per cent are common to both companies, and there is, of course, quite naturally, an allocation of cost between the two companies on approved accounting principles acceptable to the auditors for the shareholders and the companies. The head office of both companies is in Hamilton, Ontario.

The bills which are before the honourable members are in what I term to be the usual form. They provide, of course, apart from the incorporation, that the new companies, when and if incorporated, would take over, under appropriate agreements, the assets and liabilities of the existing Ontario companies. You will note in section 8 of these bills provision for agreements in this respect. You will, further, find provision that no agreement between the company and the provincial company for the acquisition of the assets becomes effective until approved by Treasury Board; and, further, that the companies may not commence their operation until the date specified in the Canada Gazette by the superintendent of insurance; and that he may not give such notice until two-thirds of the shareholders have given approval to the terms of the bill.

Gentlemen, that deals basically with the major points which I thought I ought to present to you. Perhaps at this time, if I may, Mr. Chairman, I would invite questions on any particular issues which may be of concern to members.

The CHAIRMAN: Before coming to that point, I think I would like to call upon the superintendent of insurance to tell the Committee what his views are about these applications.

Mr. R. HUMPHRYS (*Superintendent, Insurance Department*): Mr. Chairman, members of the Committee, these two bills, to incorporate insurance companies

with special powers to take over the assets and liabilities of an existing provincial company, are of a pattern which has been before Parliament on numerous occasions in recent years.

Frequently insurance companies are formed by provincial incorporation for essentially a provincial or local operation, and when they wish to spread out and do business in a number of provinces it is a fairly common pattern to seek federal incorporation; and the pattern followed is that described here, by the formation of a new company and the taking over of the business by agreement between the two corporations. This brings the companies under the jurisdiction of the Canadian and British Insurance Companies Act and under the supervision of the federal Department of Insurance.

The bills themselves are in the form that has been used on a number of occasions, and there are no special features. There are one or two points on particular clauses on which I can comment when we reach those clauses.

Mr. Chairman, those are the only comments I have at present.

The CHAIRMAN: Generally speaking, then, your department is satisfied with these applications, from the point of view of their suitability?

Mr. HUMPHRYS: Yes, Mr. Chairman. The companies are new and at the early stage of their development. They are suffering under-earning losses rather than profits, which is normal in the formation of new insurance companies.

We are familiar with them in that examiners of our department have been to the companies to look into their conditions and affairs before these bills are presented to Parliament.

The CHAIRMAN: I am going to recognize, first, Mr. Monteith.

Mr. MONTEITH: There is one point. It does not disturb me, but I am merely interested. Apparently, if it were not for the fact that there is reinsuring as between the two companies, to all intents and purposes they are the same company. They write the same type of business, or does one write life insurance but can reinsure with the other, and the other writes disability and can reinsure with the first one? Am I right in that? As I understood reinsurance, it was usually to spread the risk, but in this case is it not the same principals who are accepting the risk—the complete risk?

Mr. HUMPHRYS: I think I should make a comment on this, Mr. Chairman, and if the representatives of the companies wish to add to this they can do so.

The CHAIRMAN: I will ask Mr. McKimm to supplement your comments.

Mr. HUMPHRYS: The Income Disability Company, the company that is doing disability, was started in 1960, and it was started really to specialize in the selling of disability insurance; that is, to provide an income on illness or accident occurring to the insured person. The company had power to do life insurance but it did not do any life insurance, and subsequently I think that power was removed from its charter. It started out with the idea of specializing in this particular kind of insurance and the shares were sold on that basis.

Subsequently, the life insurance company was formed and it was capitalized, but not the same shareholders. The shares were sold to the public so that the shareholders of the two companies are not identical.

The life company was intended to get primarily into the life insurance business, but the managers and principal shareholders did not intend it to compete with the other company in its sales to the public in income disability.

In the formation of these two companies, federally, the intention is to carry on that pattern, and as far as we are concerned in the department we consider it to be a reasonably good pattern to follow, because within a life insurance company, even if it does both accident and sickness insurance and life insurance, it is required to keep completely separate accounts and assets for the two classes of business. Therefore, in some respects there are advantages to making the main effort on the accident and sickness line in a separate company.

On the reinsurance point: Reinsurance is not a major part of the accident and sickness insurance. The reinsurance that passes back and forth there will not have much effect on spreading the risk. It could be that they would share some of the business in order to spread the impact of the surplus strain in the early years.

So far as the life insurance is concerned, the reinsurance that will be ceded from the life company to the reinsurance company will be principally excess risk beyond which the life company has the resources to carry on its own. It would cede a certain portion of the higher amount policies to its sister company, but for anything above and beyond that they would have to seek some reinsurance outside their two companies. However, they will not be competing against each other in the same market.

Mr. MONTEITH: The two companies were incorporated at different times, and several of the senior officers are the same; some 50 per cent of the employees do work in both companies, and so on. I can understand this very readily.

Did I understand that there are some 2,500 shareholders in the Income Life and 1,500 in the Disability?

Mr. McKIMM: That is right, Mr. Monteith.

Mr. MONTEITH: Is it fair to ask what are the shareholdings of the senior officers?

Mr. McKIMM: I will ask Mr. Brunning to answer that for you.

Mr. W. E. BRUNNING (*President, Income Life Insurance Company of Canada and Income Disability and Reinsurance Company of Canada*): On the life company, it would be a little less than 10 per cent and on the disability company a little more than 10 per cent.

The CHAIRMAN: Have you any further questions, Mr. Monteith?

Mr. MONTEITH: Not at the moment, thank you.

The CHAIRMAN: Have you any further comment on the question of reinsurance, Mr. McKimm?

Mr. McKIMM: No, I think Mr. Humphrys covered the question.

Mr. MUNRO: Mr. Chairman, I am sorry I was not here this morning. Perhaps I could ask this question. I do not lay too much stress on the point, but

while Mr. Humphrys is here I would like to ask him to refresh my memory. What is the percentage of the resources of life insurance companies that can be invested in equity stock?

Mr. HUMPHRYS: Around 25 per cent, Mr. Munro.

Mr. MUNRO: And what are the limitations on the type of equity stock? Could you just very generally refresh me on that?

Mr. HUMPHRYS: The general requirement is that a company can buy common shares if they have a five year dividend record where the dividends are at least four per cent of the par value of the stock, or if the company has a five year earnings record sufficient to have enabled it to pay dividends up to the standard, even though dividends may not have been paid.

Secondly, there is what is often referred to as the basket provision. Under that provision a company can buy any type of investment it wishes, whether it has a dividend record or not, but the maximum that it can invest under that basket provision is seven per cent of its assets. It can buy shares pursuant to the basket provision, but anything it buys under the basket together with the shares that meet the dividend or earnings qualification cannot exceed 25 per cent of its assets.

Mr. MUNRO: Mr. Chairman, I do not know to whom I should direct this question. Perhaps Mr. Brunning could tell us what percentage of the resources of these companies, particularly Income Life, is in equity stock?

Mr. BRUNNING: Two.

Mr. MUNRO: This question will give me some enlightenment on the practice of life insurance companies, and their future pattern of behaviour in this respect, as far as equity stock is concerned. I note with particular gratification the very high percentage of Canadian ownership in your companies. Is it the intention of your company that it participate to a far greater extent in equity ownership?

Mr. BRUNNING: That is a rather difficult question to answer. I could answer it in this manner, that at the present moment it might be good judgment to keep our affairs in that type of investment which has more security than that which has the possibility of fluctuation—I refer to mortgages and bonds—in the early career of the company. I would suggest that the department would possibly agree with that statement at this time. With regard to what happens in the future, the investment policy would be decided at that time.

I think it would be unwise at this stage of the company's development to invest much in common shares.

Mr. MUNRO: Through you, Mr. Chairman, if I may direct a question to Mr. Humphrys: Could you give the Committee a rough idea, Mr. Humphrys, in the life insurance industry what percentage of participation there is now in equity stock investment?

Mr. HUMPHRYS: It would be about four per cent, Mr. Munro, on a book value basis, but if the stock was put in at a market value basis it would be of the order of seven or eight per cent.

Mr. MUNRO: Has this been on the increase over the last two years?

Mr. HUMPHRYS: It is increasing in dollar amount and increasing very slightly as a proportion of the total assets. The assets of life insurance companies are growing quite rapidly and the total investment in common shares is growing, but it is not growing very rapidly as a percentage.

The CHAIRMAN: Mr. Munro, if I may interject at this time; I felt that originally your questions were related to the role this company is playing with relation to the nature and general question of investments of insurance companies. I am sure the Committee will agree when I say that we would be straying somewhat from the matter which is before us now if we began a general discussion on investment trends of the insurance companies.

Mr. MUNRO: I had that reservation to start with, Mr. Chairman; it is just that I intended to ask those questions on other bills of a similar nature, just for my own enlightenment, with reference to this particular company.

I can understand the caution in a new company starting out, in this regard. I do not know whether there is any pattern of behaviour in future with respect to equity stock participation by life insurance companies. I think it is the hope of many of us that the well-established companies, and as this company becomes better established, that there will be greater participation of these companies in investment in equity stock, particularly Canadian equity stock. I would just like, if I may, to get Mr. Brunning's viewpoint on that.

Mr. BRUNNING: On the future participation of life insurance companies in equities?

Mr. MUNRO: Canadian equity stock.

Mr. BRUNNING: I am not so sure that a person of my stature can speak for the giants in the life insurance industry as about to what their feelings are, I mean this, because this is an investment situation and would be decided by the—

The CHAIRMAN: Excuse me, Mr. Brunning, would you mind speaking more directly into the microphone for the purpose of the transcription?

I think that we would be straying a bit from our subject matter if we began, even with the gentlemen before us and their experience in the industry, to discuss the industry generally.

Do you have any further questions?

Mr. MUNRO: If I could stick for just a moment, Mr. Chairman, to this particular company, I would like to get Mr. Brunning's point of view on whether it would be his intention, when the company becomes better established and obtains its foothold, as I know it will, in the life insurance industry, to have his company participate, as far as investment policy is concerned, to a great extent in Canadian equity stock ownership?

Mr. BRUNNING: I can only answer the question by saying that I see no reason why we would not. The matter of what confidence you have in Canada right now is I think, rather important, and if I were to answer the question personally I would say I would be very much of the opinion that Canada, equity-wise, for the next few years would be an excellent investment for anyone, let alone a life insurance company. This is only an opinion now, and I would not want my personal feelings to enter into an investment policy at this stage of the insurance company.

Mr. MUNRO: Mr. Chairman, in conclusion may I say to the members of the Committee that I welcome having Mr. Brunning, Mr. Soule and Mr. Dodd here. They are all very distinguished Hamiltonians, which is almost insurance that this will be a successful operation.

Mr. HUMPHRYS: Mr. Chairman, one brief point for the record. The percentage of Canadian life insurance company assets in common stocks was 4.03 in 1963; 4.39 in 1964 and 4.73 in 1965. It is rising.

Mr. BASFORD: How many insurance companies are now carrying on business in Canada?

Mr. HUMPHRYS: 397 of all types, both casualty and life.

Mr. BASFORD: How many life companies?

Mr. HUMPHRYS: 124.

Mr. BASFORD: Do we really need any more?

Mr. HUMPHRYS: I do not think we need any more.

Mr. MUNRO: We need more head offices in Hamilton.

Mr. BASFORD: It seems to me that here we have a country just crying out for development of its resources, and, per capita, we carry more life insurance than any other people in the world; yet we go on incorporating life insurance companies.

The CHAIRMAN: Is there any law or policy of the Canadian government, at the present time, to restrict further incorporation of life insurance companies?

Mr. HUMPHRYS: No, Mr. Chairman, there is no policy in that direction. The pattern has been to see to it that there is enough capital available to protect the policyholders. It should, I think, be noted that the accumulation of capital for this purpose—capital funds, or substantial portions of them at any rate—must be invested so that they add to the accumulation of capital in the country.

I think we should keep in mind, also, that Canadian life insurance companies do a large volume of business in other countries, and consequently the industry has benefitted Canada in that direction. I think that, from a federal point of view, we have to keep in mind that insurance companies can be incorporated provincially as well as federally, so that the matter of closing off the information of new companies is not wholly in federal hands.

Another point is that companies from outside Canada have been permitted to come in fairly freely if they are sufficiently strong financially, and Canadian companies have been accepted in other countries. If we were to establish a policy of no more companies I think we would have to refuse entry to non-resident companies as well, which would probably mean reciprocal action by other countries.

Mr. BASFORD: I am not going to pick on this particular company, because it is made up of distinguished Hamiltonians, but I am going to examine the question of whether we really do need any more insurance companies in Canada.

Mr. HUMPHRYS: I must say, Mr. Basford, that there are a very large number of companies considering the size of the market. It is always quite a

surprise to us in the department the attraction that the market has to companies from other countries. There are always a large number of applications for entry into Canada. It seems to be very attractive. It is not as if they had made all that much money in this market, either.

Mr. BASFORD: I have another question. What is the ratio between commercial mortgage loans and home mortgage loans in your investment portfolio?

Mr. BRUNNING: Mr. Dodd, I think, could best answer that.

Mr. E. DODD (*Comptroller, Income Life Insurance Company of Canada and Income Disability and Reinsurance Company of Canada*): They are 100 per cent residential.

Mr. BASFORD: So you have heeded the advice of the Minister of Labour that we need more money in the home lending field.

The CHAIRMAN: If you have no further questions I would now like to call on Mr. Macdonald.

Mr. MACDONALD (*Rosedale*): I would like to direct a couple of questions to Mr. Brunning on the question of ownership.

Am I right in my understanding that for certain types of policies you follow the practice of making available to the policy holder some equity interest in the company?

Mr. BRUNNING: At the present moment we do not have a type of policy whereby the person depositing the premium—Do you mean that all our private premiums could be invested in equities?

Mr. MACDONALD (*Rosedale*): No, I was thinking of it in terms that a right to acquire the shares of the company itself might be one of the incidents of subscribing for a policy. Do you follow that practice?

● (4.30 p.m.)

Mr. BRUNNING: The question is: Do we have stock which is available to a person who wants to buy a life insurance policy?

Mr. MACDONALD (*Rosedale*): I was wondering if you were offering, as a competitive life insurance package, a kind of unit made up of the policy and also an investment in the company itself.

Mr. BRUNNING: No.

Mr. MACDONALD (*Rosedale*): Of the 1,500 odd shareholders, is there any pattern of concentration, or how do you market the common shares in the provincial corporation?

Mr. BRUNNING: They were in both instances a national issue.

Mr. MACDONALD (*Rosedale*): Is it listed?

Mr. BRUNNING: It is unlisted.

Mr. MACDONALD (*Rosedale*): It is unlisted; and is traded over the counter in Toronto?

Mr. BRUNNING: Yes.

Mr. MACDONALD (*Rosedale*): Perhaps, in this regard, I could address a question to Mr. Humphrys. What would his view be of the kind of unit

transaction I referred to, where, in subscribing for a unit, you get life coverage plus the right to subscribe in the company which is giving you life coverage?

Mr. HUMPHRYS: We would oppose it, Mr. Macdonald.

Mr. MACDONALD (*Rosedale*): That is contrary to the superintendent's policy?

Mr. HUMPHRYS: Insofar as it is in our power we would try to see to it that none of the companies under our supervision markets a package of that type.

We think that life insurance should be sold on the basis of the prospect's need for it and that it should be fitted to his needs. The needs for buying life insurance do not necessarily accompany his needs for, or the desirability of, investing in common stock.

Mr. MACDONALD: Mr. Brunning, in launching this project have you thought about ultimate mutualization of the company? Is there any attraction to reaching a certain size and then mutualizing it, or do you intend to keep it as a stock company?

Mr. BRUNNING: I have never thought of it.

Mr. MACDONALD (*Rosedale*): Mr. Humphrys, am I right in saying that a further advantage in federal incorporation is that the federal incorporation could compete more readily for foreign business, because federal incorporations are more readily registered, say, south of the border?

Mr. HUMPHRYS: I think that is correct, Mr. MacDonald. The federal Insurance Department has been in the supervising business for a long time and its staff are technically qualified examiners and actuaries. It is able to perform supervisory service in a better manner than most, if not all, of the provincial insurance departments. I think that in the United States they look to the supervision of our department rather than provincial departments.

Mr. MACDONALD (*Rosedale*): Mr. Brunning, do you have any views, for example, on going after United States business? Have you done so yet in any way?

Mr. BRUNNING: We would certainly like to eventually; again, provided the Department of Insurance feels that this is the proper move for us to make at the proper time.

I would like to add to Mr. Humphrys' remarks concerning the Department of Insurance. He is too modest to tell you that the Department of Insurance of Canada is possibly the highest rated in the world. My impression from attending international meetings is that New York State and Canada are the two highest in the world.

Mr. MACDONALD (*Rosedale*): That is a compliment to Mr. Humphrys. That is all, Mr. Chairman.

The CHAIRMAN: I think those comments should be noted by this Committee with some satisfaction.

Are there any further questions at this stage?

Mr. VALADE: This is not directly concerned with the request for incorporation, Mr. Chairman but I would like to ask Mr. Humphrys if he could give us a

picture of how a company which wants an incorporation proceeds? Do they first apply to your department? Who is responsible for seeing that all the requirements are met? How does this function in your department? I think it might be enlightening for this Committee to know.

The CHAIRMAN: It is relevant to this bill.

Mr. HUMPHRYS: If any persons are interested in forming a new life insurance company on a federal basis, the first step is to come to the department and discuss their proposal with us. We ascertain who will be the principal figures behind the company; where they expect to get the capital funds; what kind of an operation they intend to run; where they expect to do business; who they are going to get to manage the company; and try to determine, as fully as we can at the initial stages, everything that we can about the persons who are going to be capitalizing and running the company and what kind of an operation it is going to be.

If we are satisfied with all of these features, the next step is to prepare a draft bill which is usually a fairly straightforward matter because there is in the Canadian and British Insurance Companies Act, the general act that governs all of these companies, a model bill. Therefore, the incorporation of these companies follows the model bill, together with any special features that may be necessary for the particular project in mind. In these bills, for example, they follow the model bill, but they have the special features empowering the new companies to take over the business of the existing provincial company.

The bill is drafted, and we work with the company and with the company's lawyers on it, and also with the law clerks of the Senate and the House of Commons.

The usual pattern for these bills is to have them introduced into the Senate first. The Senate invariably refers the bills to the Banking and Commerce Committee; the superintendent of insurance and representatives of the company are called, and the project is examined there; then the same pattern is followed in the House of Commons.

Mr. VALADE: To follow up on this Mr. Humphrys—and I thank you for the explanation—when you say that you look into the principal parties concerned or interested in the incorporation, and other aspects, what is your principle in deciding that such-and-such a person is eligible to apply, or to be a member of the directors of the company?

I suppose it is implied in your answer, that whenever there is a submission of incorporation you also have the names of the members who are going to sit on the board. On what premise do you base your judgment of the worth of the proposed executive, or board of directors—the principal parties? How do you judge the value of the persons? Do you make any inquiries? Do you ask for reports? How do you base your judgment of the principals applying for this incorporation. Are there criteria on which you base your decision?

I want to make it clear that I intend no reflection on any of these persons. I just want to know how the department can control or ascertain the basis of the incorporation in this regard.

Mr. HUMPHRYS: I cannot give you an answer, Mr. Valade, in precise terms. What we try to do is to find out who is behind the bill and the company. We try to make sure that there are persons involved who have some experience in the insurance industry, and we try to make sure that the proposed directors and persons who will be involved are men of some degree of responsibility and stature.

We sometimes call for letters of recommendation in connection with the proposed directors. Generally we try to ascertain that they are responsible figures and that the trust that is going to be placed in them, by their being authorized to become managers of large amounts of what are quasi-trust funds, will be carried out in a responsible fashion.

We do the best we can at this stage. We cannot sit down and say, "This man is all right, but that man is not all right," but I think the system works in the sense that anyone having in mind the formation of a company knows that they cannot do it without making known publicly who will be behind the company, who will be capitalizing it, who will be running it—not only to the department, but also before committees such as this Committee and the committee in the Senate. I think this, in itself, has the salutary and important effect of making sure that no one is going to propose the incorporation of a company unless they are prepared to stand before this Committee and justify their proposal and expose their whole proposal to public questioning.

I think, to a large extent, the problems are eliminated before they start.

Mr. VALADE: There is no fixed set of rules for this? It is just conducted through experience and practice? There are no defined criteria on which you base your decision? It is just a way of working which has brought you to this position?

Mr. HUMPHRYS: Yes, Mr. Valade. That is a fair assessment.

It is not within the power of the department, of course, to tell any group that they may not petition Parliament for the incorporation of a private bill; that is open to them; but we can tell them that we would not support it. They know then that any objections which we might have will be placed before this Committee, and if they want to proceed anyway and place their case and let the department place its case, it is open to them.

Mr. VALADE: This is one of the reasons why I asked the question, because I noted that in most of these incorporations there seem to be permanent members of the board, people who are going to be the executive board of directors, and quite often we have directors added on a temporary basis, which seems to be for the sole purpose of incorporation. Shortly after the incorporation there is a radical change in the constitution of the board of directors.

Is there any way, through the insurance laws, that assurance can be obtained that the same quality of people will replace them?

Mr. HUMPHRYS: No; we cannot, of course, prescribe the board of directors for a long time, but, generally, in the department we try to see to it that the people named as incorporators in a bill like this will be the first permanent directors. The persons named as incorporators are the directors of the existing company, and they will be the first directors of the new company.

The board may change over the years, of course, but as far as we can, at the initial stages, we try to determine that the persons who are going to be operating the company are known to us and are not merely for the purpose of getting incorporation, with some other persons whom we have never heard of showing up as the directors immediately afterwards.

Mr. VALADE: We had this case this morning, if I remember correctly, where the witness said that three were to remain as permanent directors, but that there was no assurance that after a year the rest would remain on the board. I remember, Mr. Chairman, that this morning we had such an answer.

Judging from your answer there does not seem to be any specified criteria for ensuring that these people are serious people, interested in the development of the corporation, and are not using their names as a springboard for this incorporation.

The CHAIRMAN: Mr. Humphrys, I have just been glancing over the Act while listening to this exchange. Am I right that you have an obligation to supervise companies once they are incorporated, and that you can withhold registration if they do not meet the requirements of the Act?

Mr. HUMPHRYS: Yes, Mr. Chairman; I was just going to add that point that if the bill is passed by Parliament, the next step is for the provisional directors to meet and organize the company and put up the capital. But they still cannot get into business until they have been issued a certificate of registry by the Minister of Finance under the Act. That certificate is issued for one year only and it expires on March 31 of every year; so that once a year the certificate comes up for renewal, and we have an opportunity to examine the management of the company every year.

Furthermore, examiners on the staff of the department call on the company at least every three years, and more frequently if necessary, to examine all its operations and affairs, the adequacy of its assets and the whole method of operation. It is not a case of incorporating the company and never looking at it again. We do keep very close watch on, and carefully supervise the company.

However, on the point of directors, the directors, of course, are elected by the shareholders and it is up to the shareholders to determine from one annual meeting to the next, who will be the directors.

Mr. VALADE: You say that after a year you check on the company to make sure that they have met all the requirements. It is your responsibility to report to whom, in case the company has not lived up to its obligations? Do you report to this Committee, or to the Minister?

Mr. HUMPHRYS: The Minister of Finance.

The CHAIRMAN: The Department of Insurance is a separate department of the government of Canada, in which you have the status of something like a deputy minister. Am I right in that?

Mr. HUMPHRYS: That is correct.

The CHAIRMAN: You are responsible to the Minister of Finance and you operate under this Canadian and British Insurance Companies Act and other acts. You are an administrative officer carrying out a regulatory function as do other regulatory bodies in the federal government.

Mr. HUMPHRYS: Yes.

Mr. VALADE: There are no implications in this question which I am going to ask, but could you tell me the reason why we have to deal with what is called the Canadian and British Insurance Companies Act? Is this just by tradition? Why do we not have our own Canadian insurance act?

The CHAIRMAN: This is a Canadian act.

Mr. HUMPHRYS: It has an historical background, Mr. Valade. We did have an insurance act, years ago, but there have been many references on the constitutional jurisdiction in the insurance field. The last time the matter was raised and went to the Privy Council was in 1931, and the federal insurance act at that time was declared *ultra vires* in one or two particulars. As a consequence, new acts were adopted in 1932, and at that time the insurance act was split into two parts, this one covering Canadian and British companies, and the other one, called the Foreign Insurance Companies Act, covering foreign companies.

The reason for that was that it was considered that Parliament had certain jurisdiction over aliens coming into Canada to do business, and it was thought that a British company could not be considered as an alien. Consequently the two statutes were separated to try to simplify this constitutional problem.

This is why it is called the Canadian and British Insurance Companies Act. What it means is an act governing Canadian insurance companies, and British insurance companies which come into Canada to do business. Actually there is a separate part of this act that governs British companies only, and that is identical with the Foreign Insurance Companies Act which covers companies that come into Canada to do business.

Mr. VALADE: Does this affect Canadian companies which might establish themselves in England? Would a Canadian company which established a subsidiary in England be subject to the same provisions?

Mr. HUMPHRYS: No, Mr. Valade. If a Canadian company formed a subsidiary in England, the subsidiary would be under British law, not under ours. But the right of a Canadian company to own a foreign subsidiary is subject to certain conditions designed principally to restrict that subsidiary and to make it impossible for a Canadian company to do, indirectly, through a subsidiary, something that it cannot do directly itself. We keep a little bit of control over it, but not much. It is not subject to this Act.

Mr. VALADE: I thank you for the background you have given us. I think it is something of the history of insurance procedures about which we should have known earlier.

The CHAIRMAN: Insofar as it helps us to understand the procedure involving Bill S-11 and Bill S-12, I think it was relevant to the discussions of the Committee.

Mr. MORE: Mr. Chairman, I would just like to ask Mr. Humphrys a few questions.

I understand that these companies are new and that they have underwriting losses at the present time. You carefully supervise operations. How long would you expect it to be before they have an underwriting profit?

Mr. HUMPHRYS: So far as the disability company is concerned, it is possible that they may show a profit this year; if not, I would certainly hope they could show a profit next year.

So far as the life insurance company is concerned, I think it is some years away. I would not like to name a figure but I would think it would be four or five years, at least. Much depends, of course, on the skill of the management and its general control of the operation.

Mr. MORE: In the matter of protecting the rights of policy holders, does that protection extend only to their premiums investment?

Mr. HUMPHRYS: What we try to do to protect their rights, in this sense, is to make sure that the company always has enough assets to carry out its obligations to its policy holders; so that these underwriting losses that I have referred to will be covered by the initial capital and surplus that is put into the company. We would exercise every effort to see to it that the underwriting losses never became so high as to use up all of that initial margin that is put in for the safety of the policy holders.

If matters reached the point where the surplus was gone and the capital was substantially impaired, the company would have to discontinue doing business, or else find some more funds.

If it discontinued doing business we would see to it that that came about while there were still enough assets to have some other company take over the outstanding policies so that the policy holders themselves would not suffer a loss.

Mr. MORE: This is the point I was getting to. My understanding is that there have been what, in ordinary business, might be failures in promotion of companies, yet for the sake of reputation and otherwise other companies have stepped in and saved the companies. Is there any change in attitude in the more successful companies in the field and the more established companies towards this protection that has been given in the past to new promotions which may run into trouble?

Mr. HUMPHRYS: I do not think it would be fair or safe to assume that the existing established companies would always bail out a company which got into trouble. What we would try to do in the department is see to it that, if the company has to be closed, action was taken soon enough so that it would be possible to get another company to take over the outstanding business on a basis that would not involve the assuming company in any loss.

Mr. MORE: In other words, your protection and supervision extend to protecting the face value of the policies issued to the participants?

Mr. HUMPHRYS: It extends to the policy holders, but not necessarily to the share holders.

Mr. MORE: I am not worried about shareholders, generally. Most of them go in with their eyes open.

Could you tell me how many of the 124 life companies are mutual today?

Mr. HUMPHRYS: Federally registered, we have 40 Canadian life insurance companies, and I think it is 11—I will just check that—

Mr. MORE: Perhaps you could supply that information a little later on.

The CHAIRMAN: Are there any further questions at this stage? If not, proceeding specifically with Bill S-11, shall the preamble carry?

Preamble agreed to.

The CHAIRMAN: Shall Clause 1 carry?

Clause 1 agreed to.

The CHAIRMAN: Shall Clause 2 carry?

Clause 2 agreed to.

(Translation)

Should clause 3 carry?

(English)

Mr. CLERMONT: What is the authorized capital for the company under the provincial law?

Mr. HUMPHRYS: The authorized capital is \$10 million.

Mr. CLERMONT: That means, Mr. Humphrys, \$5 million each, or \$10 million for this one?

Mr. HUMPHRYS: The existing life company's authorized capital is \$10 million; for the existing disability company the authorized capital is \$5 million. Under these bills it is \$5 million each.

The CHAIRMAN: Shall Clause 3 carry?

Mr. VALADE: I would like to ask this question of any of the witnesses or Mr. Humphrys. Why is it so hard for the public at large to buy stocks from insurance companies if they are not involved directly, or if they have no personal interest in the insurance company? It is very hard for people to buy common shares.

The CHAIRMAN: With all due respect, Mr. Valade, that is a very interesting subject but—

Mr. VALADE: I know, Mr. Chairman, but this question is of public importance because a lot of people—

The CHAIRMAN: I do not disagree that it is of public importance, but we are dealing with a specific bill. Perhaps at a later date we may have the estimates of the Department of Insurance, or the Department of Finance, before us and we may use that opportunity for a very lengthy investigation into the insurance industry which might be a very useful topic of investigation and inquiry for this Committee.

Mr. BASFORD: On a point of order, sir. Mr. Valade's question is in order if it is rephrased to say how available will be the shares authorized by Clause 3?

The CHAIRMAN: Perhaps Mr. Valade would accept your suggestion.

Mr. VALADE: I certainly concur in this request.

The CHAIRMAN: I beg your pardon?

Mr. VALADE: I certainly agree with the question asked by Mr. Basford.

The CHAIRMAN: He is trying to help you phrase your question, sir, in a way which would be considered relevant to the clause under discussion.

Mr. VALADE: My question, then, will be: How does the company intend to provide facilities for the public to acquire the shares, as provided by Clause 3?

Mr. BRUNNING: If I understand the question, Bill S-11 refers to the life insurance company, and the number of shares issued is 347,000. As Mr. Humphrys has said, should the company require additional funds and should it, at that time, be permitted to issue more stock, it would still have in its treasury, if I read this correctly, 600,000 odd shares. The existing shares numbering 347,000 were issued publicly, and approximately 2,500, 2,600 or 2,700 people own those shares at an average of about \$1,500 each.

Mr. VALADE: You are referring to the present \$5 million worth of shares?

Mr. BRUNNING: We are authorized to issue 1 million shares at \$5 each but we have only issued a total of 347,000 shares, and in this manner we have been able to provide sufficient capital to create this life insurance company.

Mr. VALADE: If there is not sufficient capital, the balance of the shares will be available, to be acquired by the public at large?

Mr. BRUNNING: This could be.

The CHAIRMAN: Shall Clause 3 carry?

Clause 3 agreed to.

The CHAIRMAN: Shall Clause 4 carry?

Mr. CLERMONT: Why is the amount specified to be subscribed and paid before the first meeting—\$1,750—so small? In the previous bill it was \$500,000.

Mr. HUMPHRYS: Mr. Chairman, I will answer that, if I may.

This looks rather unusual, I agree. The \$1,750 represents the total amount that must be paid in as qualifying shares for the directors. They propose to have seven directors and under this act, to qualify as a director, a person must own shares of a par value of \$250; so that seven directors at \$250 each is \$1,750.

The reason for this is that, by paying this amount in, the directors can be qualified and the company can be fully organized.

This is a procedural point so the new federal company can then enter into an agreement with the provincial company to take over the assets and liabilities of the provincial company.

It would not be proper for it to sign that agreement until the new company was properly organized; but it cannot start business until it has the capital and the surplus indicated in Clause 5. It is a procedural point to enable the agreement to be signed and to ensure that all the steps are taken before the capital is put up for the new company.

● (5.00 p.m.)

Mr. CLERMONT: Is this always done the same way when a group asks for a federal charter?

Mr. HUMPHRYS: This is the most usual pattern that has been followed for many years. It is not always done the same way. There is another bill before the House now to incorporate a provincial company, which uses a slightly different procedure, but this is the most common one.

The CHAIRMAN: Shall Clause 4 carry?

Mr. LAFLAMME: Is it the minimum required by the law or is there any minimum required?

Mr. HUMPHRYS: The minimum required by the law to qualify a director is \$250 par value. If there are going to be seven directors you need \$1,750. In the other bill it will be noted that it is \$2,500, because they propose to have ten directors.

The CHAIRMAN: Shall Clause 4 carry?

Clause agreed to.

The CHAIRMAN: Shall Clause 5 carry?

Mr. MUNRO: The limitations here on commencing business is set at this figure of \$1,736,800. How was that figure arrived at?

Mr. HUMPHRYS: That is precisely the paid capital of the existing provincial company. The same amount will be paid in here so that this company can issue enough stock in return to be handed to the shareholders of the provincial company.

The CHAIRMAN: Shall Clause 5 carry?

Clauses 5 and 6 agreed to.

The CHAIRMAN: Are there any questions on Clause 7?

Mr. BASFORD: I note that section 7(c) authorizes the company to write sickness insurance. I am wondering whether any of the directors or officers of the company are making contributions or providing assistance to organizations, parties or candidates that would be opposed to the establishment of a national health care program?

The CHAIRMAN: Is there any reply forthcoming at this time?

Mr. BRUNNING: This sickness part of the business, is a form of policy that pays income to the policy holder during a period disability as a result of getting hurt in an accident or becoming ill. It is a form of the accident health business.

The accident health licence also permits you to write hospital business and to write medical and surgical as well as pharmaceutical and what have you. I suggest that these forms of coverage that are now in the insurance industry are becoming less and less possible for the insurance industry to write and as a result some companies have gone out of it entirely just recently.

Mr. BASFORD: My question was whether you will be making contributions or providing assistance to organizations or candidates or parties opposed to the establishment of a national health care program?

Mr. MUNRO: Mr. Chairman, is this a reference to the Liberal party?

The CHAIRMAN: I think we are getting into an area of discussion which may not be directly relevant to the bill before us.

Mr. BASFORD: I have a right to know where the premium income of the company will be going.

The CHAIRMAN: To the extent that they have to make returns on this income under the Insurance Act, I suppose that type of question acceptable.

Mr. BRUNNING: Mr. Humphrys, I am not sure I understood the question correctly. Do you have the question?

Mr. HUMPHRYS: Does your company make contributions to a political party or organization which is opposing the adoption of the national health plan?

Mr. BRUNNING: No.

Mr. MUNRO: There is no political party opposed to this of which I am aware.

The CHAIRMAN: Shall Clause 7 carry?

Clause agreed to.

The CHAIRMAN: Are there any questions on Clause 8?

Mr. BASFORD: Mr. Chairman, I would like to direct a question to Mr. Humphrys. It is a technical one, on whether the word "may" in line 16 should not be "shall", or whether that is covered by the provision in line 22?

Mr. HUMPHRYS: I think "may" is correct, Mr. Basford. It is a power granted to the company; but you will notice in Clause 9 that this Act does not come into force until a date published by the superintendent in the *Canada Gazette*, and the notice is not to be given until this act has been approved by a resolution of the share holders of the provincial company and until we are satisfied that the provincial company has ceased to transact business, or will cease upon a certificate of registration being granted to this new company. If they did not take action to take over the assets and liabilities of the business, they would never be registered and the Act would lapse.

Clauses 8 to 10 inclusive agreed to.

The CHAIRMAN: Shall the title carry?

Title agreed to.

The CHAIRMAN: Shall the bill carry?

The bill agreed to.

The CHAIRMAN: Shall I report the bill without amendments?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: With respect to Bill S-12, shall the preamble carry?

Preamble agreed to.

Clauses 1 to 3 inclusive agreed to.

The CHAIRMAN: Are there any questions on Clause 4?

Mr. CLERMONT: Mr. Chairman, does Mr. Humphrys mean there will be ten directors in this company?

Mr. HUMPHRYS: Yes.

Mr. CLERMONT: Thank you.

Clause 4 agreed to.

Clauses 5 to 8 inclusive agreed to.

(Translation)

The CHAIRMAN: Is clause 9 carried?

Some MEMBERS: Carried.

The CHAIRMAN: Is clause 10 carried?

Some MEMBERS: Carried.

(English)

The CHAIRMAN: Shall the title carry?

Title agreed to.

(Translation)

The CHAIRMAN: Is the bill carried?

Bill agreed to.

(English)

The CHAIRMAN: Shall I report the bill without amendment?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Gentlemen, we have completed our agenda for today. Mr. Humphrys and the witnesses are excused.

There is one point before we adjourn. I am informed by the clerk that on these private bills it has not been customary to print the proceedings, although, of course, they have been recorded in the usual way. I should inform the Committee of this in case there are those who feel we should print these proceedings in any event, and I will invite a brief comment from the Committee on this question.

Mr. VALADE: (Not recorded.)

The CHAIRMAN: In the past, when the Committees dealt with private bills, they have not called for the actual printing and distribution of minutes as we have for public bills.

It may be that the Committee feels that all our proceedings should be printed, or they may feel that we should follow the practice that has been adopted in the past.

I felt that I should not let this occasion pass, which dealt with a group of bills together, without bringing this point to the attention of the Committee and asking if they wished to depart from the preceding practice.

Mr. MUNRO: This is a minor point, Mr. Chairman, but some of the questions and the elicited answers today might possibly be helpful when this matter goes back to the House. It would be a matter of permanent record to which reference could be made, in anticipation of possible checking from some quarters of the House.

Mr. BASFORD: I would support Mr. Munro with regard to several comments that were made this morning, and also several comments made this afternoon by Mr. Humphrys, which can be very valuable when there is a group in the House which opposes these bills coming before Parliament at all; and I think his statements are very valuable evidence on the procedure and the value of the procedure.

The CHAIRMAN: My own feeling is that all our proceedings should be reported unless they involve some internal procedural discussion, or preparation of a special report, and so on. Therefore, I would like to ask the clerk to arrange to have these proceedings printed in the usual way.

I do not think we need to present a motion. I merely wanted to have this point dealt with.

I declare this meeting adjourned at the call of the chair.

HOUSE OF COMMONS
First Session—Twenty-seventh Parliament
1966



STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 13

THURSDAY, JUNE 30, 1966
TUESDAY, JULY 5, 1966

Respecting
Estimates of the Department of Trade and Commerce, 1966-67
(Dominion Bureau of Statistics)

WITNESSES:

The Hon. Robert H. Winters, Minister of Trade and Commerce; Mr. J. C. Cantin, Parliamentary Secretary to the Minister; *From the Dominion Bureau of Statistics:* Messrs. Walter E. Duffett, Dominion Statistician; V. R. Berlinguette, Director, Industry Division; F. F. Harris, Director, Health and Welfare Division; D. L. Ralston, Census Division; *From the Department of Trade and Commerce:* D. A. Traquair, Administrator, CLURA.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,	Comtois,	Lewis,
Basford,	Flemming,	Macdonald (<i>Rosedale</i>),
Cameron (<i>Nanaimo-</i>	Grégoire,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Hees,	Monteith,
Cashin,	Irvine,	More (<i>Regina City</i>),
Chrétien,	Lambert,	Munro,
Clermont,	Lamontagne,	Valade,
Coates,	Leboe,	Wahn—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, June 30, 1966.
(19)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.10 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Andras, Cameron (*Nanaimo-Cowichan-The Islands*), Cashin, Chrétien, Comtois, Flemming, Gray, Grégoire, Irvine, Lambert, Monteith, Munro and Wahn—(13).

In attendance: The Hon. Robert H. Winters, Minister of Trade and Commerce; Mr. J.-C. Cantin, Parliamentary Secretary to the Minister; *From the Dominion Bureau of Statistics:* Messrs. Walter E. Duffett, Dominion Statistician; H. L. Allen, Assistant Dominion Statistician (Administration); V. R. Berlinguette, Director, Industry Division; F. F. Harris, Director, Health and Welfare Division.

The Chairman called Item 1 of the Estimates of the Dominion Bureau of Statistics:

Administration and Operation—\$16,904,500.

In accordance with decision at the meeting of June 7, 1966, copies of the Minister's statement on the Bureau of Statistics had been distributed to the members. (*See Appendix E, Issue No. 11.*) The Chairman therefore called upon Mr. Duffett to make a statement.

Following Mr. Duffett's statement, the Chairman directed the Clerk to distribute copies to members of the Committee as soon as possible.

The Minister was questioned, and was assisted in answering questions by Messrs. Duffett, Berlinguette and Harris.

At 1.00 p.m. the Committee adjourned until Tuesday, July 5, 1966, at 11.00 a.m.

TUESDAY, July 5, 1966.
(20)

The Standing Committee on Finance, Trade and Economic Affairs met at 11:20 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Andras, Cameron (*Nanaimo-Cowichan-The Islands*), Coates, Flemming, Gray, Lambert, Lewis, Monteith, Munro and Wahn—(10).

Also present: Mr. Stafford, M.P.

In attendance: Mr. J.-C. Cantin, Parliamentary Secretary to the Minister of Trade and Commerce; *From the Dominion Bureau of Statistics:* Messrs. Walter

E. Duffett, Dominion Statistician; H. L. Allen, Assistant Dominion Statistician (Administration); D. L. Ralston, Census Division; *From the Department of Trade and Commerce*: Mr. D. A. Traquair, Administrator, Corporations and Labour Unions Returns Act (CLURA).

The Committee resumed consideration of Item 1 of the Estimates of the Dominion Bureau of Statistics 1966-67, and Messrs. Duffett, Traquair and Ralston were questioned.

Item 1 was carried.

The Chairman called Item 5:

1961 Decennial Census of Canada—\$221,700, and the item was carried.

The Chairman called Item 10:

1966 Quinquennial Census of Canada—\$9,000,000, and the item was carried.

The Chairman thanked Mr. Duffett and his associates, and the witnesses withdrew.

The Committee then proceeded to sit *in camera* to consider a report to the House on the Estimates of the Department of Trade and Commerce and the Dominion Bureau of Statistics.

After discussion, on motion of Mr. Lambert, seconded by Mr. Wahn,

Resolved,—That the preparation of a report to the House be referred to the sub-committee on agenda and procedure.

At 12.25 p.m. the Committee adjourned to the call of the Chair.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, June 30, 1966.

● (11.00 a.m.)

(French)

The CHAIRMAN: Gentlemen, I call the meeting to order.

(English)

Our agenda today is to deal with the estimates of the Dominion Bureau of Statistics. You may recall that at the conclusion of our last meeting, the Minister, as our first witness on this phase of the estimates, presented an introductory and preliminary statement and because it was necessary to adjourn the meeting for other business, the Committee, I believe agreed, that the statement would be distributed to all members and would be appended to the minutes of that meeting. Of course, we have not met since that time because, as you know the Minister was absent on some matters involving the trade of Canada, and we are happy to welcome him back whether or not our political views all accord in one direction or another.

I would suggest to the Committee that we might follow this procedure. Since the statement of the Minister was distributed at our last meeting on June 7, unless the Committee wants, I will not call upon the Minister to read it at this time although I am in the hands of the Committee on this matter. If the Committee agrees with me, I would call next on Mr. Duffett, the Dominion Statistician for any supplementary remarks he may care to make to the Minister's general statement. Does this accord with the views of the Committee?

Thank you. Mr. Duffett, do you have any supplementary remarks to make on the Minister's statement?

Mr. W. E. DUFFETT (*Dominion Statistician, Dominion Bureau of Statistics*): Mr. Chairman, I have some supplementary remarks. I have in addition, as you will observe, a number of my officials with me who will assist in answering questions on the multiplicity of activities which the Dominion Bureau of Statistics covers. However, before dealing with particular points, I thought it might be helpful if I were to say a few words about the Dominion Bureau of Statistics in addition to those remarks which have been made by the Minister. The organization is, as statistical offices go, a large one. It has a great diversity of activities, and what I have to say will represent no more than a selection of facts, which I hope will be of interest to the Committee.

As the Minister pointed out, the program of the Dominion Bureau of Statistics consists basically in collecting, tabulating and publishing a co-ordinated system of statistical information covering, so far as possible, all aspects of Canadian economic and social life.

While the inevitable limitation of resources, as well as the problems of measurement, mean that this objective is not fully achieved, we have in Canada a statistical system which is approximately as complete as it is in all advanced countries and considerably ahead of most others. The organization has grown steadily since its founding fifty years ago and it now has a staff of some 2,600 people.

The last annual report and the organization chart, which I believe you have, indicate in general fashion the nature of D.B.S. activities. As the organization chart shows, the statistical product has its origin in a considerable number of specialized subject matter divisions engaged in the study of particular economic or social fields and engaged also in conducting quarterly, monthly or annual surveys, or in compiling the data arising from government administrative activities. An exception to this annual pattern is the census of population and agriculture which is required by the Statistics Act to be taken every ten years for all of Canada, and in the intervening period there is also to be a census of the three prairie provinces. In recognition of an urgent need throughout Canada for census information more frequently than every ten years, the prairie censuses of 1956 and 1966, have been extended to the whole of Canada. The decennial census, to be taken next in 1971, is a relatively comprehensive matter. In 1961 it involved 26 questions on population alone. The 1966 quinquennial population census, on the other hand, being taken now, involves only five questions.

The catalogue of publications, which has been distributed, includes nearly 800 different titles and covers nearly all aspects of Canadian social and economic life.

The varied content of the D.B.S. statistical program, however, is not new. D.B.S. has been involved in statistics of agriculture, population, education, external trade, manufacturing, labour, prices and so on, for many years. An important new element, however, in the statistical situation in Canada has been an extraordinary increase in the demand for statistical services, which have for a number of years exceeded the ability of D.B.S. to supply. This increase in demand during recent years has reflected a pronounced growth in the use of statistics in reaching decisions in both government and business. This has been particularly true of government at both the federal and provincial levels, as governments have created new departments and agencies and assumed new responsibilities which required more and better information for decision making purposes. A few examples at the federal level of these new agencies include the Economic Council, ARDA, the Department of Industry, including the area Development Agency, the Emergency Measures Organization, the National Energy Board and the Atlantic Development Board.

These agencies have not developed statistical units of their own, preferring to depend on D.B.S. to meet their needs. These requirements have necessitated a continued growth in the organization, although increasing mechanization has somewhat modified the manpower growth which would otherwise have taken place.

● (11.15 a.m.)

A good deal of technical subject matter knowledge is necessary to appreciate and interpret the needs of users of statistics, and to provide reliable and

relevant information in specialized fields. Consequently recent growth in the organization has emphasized the need for professional and technical staff. This group of people has grown from about 20 per cent of the total establishment in 1959 to about 30 per cent of the total staff now. Even so, shortages of economists and statisticians are a limiting factor in undertaking new and important projects and increased use has been made of non-professional technically qualified staff. Since 1959, the professional staff itself, that is the university people, have grown by about 75 per cent, while technical and administrative personnel are now between three and four times as large as they were in that year.

It might be thought that the basic statistical framework in Canada must by now have been well established and that additional needs would be marginal and on a small scale. This is to some extent true, but even in long established fields the standards of precision and timeliness, which were adequate in the past, require refinement to ensure that they meet today's more exacting needs. An example is the balance of payments which, in a country whose income comes so largely from abroad, has always been an important statistical field. However, the interest of users naturally tends to vary with the economic and financial climate and the ebb and flow of new and special underlying interests which attract public attention, in response to changing problems confronting governments and business.

The period since the financial crisis of 1962 has been one in which user interest in this field of balance of payment statistics has become intensified. There has been a succession of changes in the external environment with major consequences for Canada's balance of international payments. I need hardly review these changes, as the memory of them is still fresh in our minds. The increasing attention being given for example, by the U.S. administration to their own balance of payments problems has been accompanied by a variety of measures having direct influence on Canada's balance of payments extending from the first announcement of the interest equalization tax legislation to the most recent guideline statements.

In some areas of special interest like international security transactions and direct investment flows, long established series have been given new and wider uses. In other areas more recently developed, like short-term movements of capital, especially those connected with international money market transactions in commercial and financial paper, the statistical data have served to throw light on changing problems, such as those following the failure of a finance company last summer.

There are many other fields I could comment on in this way in which the traditional statistical products of the bureau have been enlarged and developed to meet these new needs. Among these are labour statistics. Members of the Committee may recall reference in the newspapers to a survey of occupational job vacancies, which is currently being undertaken in co-operation with the Department of Manpower. The second annual report of the Economic Council, drew attention to the deficiency of such data in measuring the over-all demand for workers and their occupational characteristics. And the information is needed for manpower policy programs to train workers for occupations in short supply, to increase the efficiency of the National Employment Service operations and to provide additional economic indicators.

In many cases some of our statistical series are well known. Such, for example, is the consumer price index. Associated with this, there are often others of great importance which are not widely known. I might mention the provision of statistical measures of comparative living costs, by means of which the Canadian government allowances to civil and military personnel posted abroad or at isolated posts in Canada are regulated. This involves a measurement of comparative retail prices and living costs in some 170 foreign cities throughout the world and relative food cost conditions in about 300 isolated Canadian communities.

It is often assumed, I think, that D.B.S. activities are almost solely in the field of economic statistics, but this is far from being the case. Statistics on education are important as a guide in the spending of many millions of dollars at all levels of government, and statistics on hospitals and on illness are useful in appraising costs and needs for the care of the sick. Another long established field in the social sector is judicial statistics.

Recently, when a vote on capital punishment was held in the House of Commons, a report referred to by members of Parliament was the D.B.S. publication on murder statistics. This was a new report, which gave a good deal of information about this particular crime, not previously available in Canada. For example, each murder case for which there was a suspect was classified either as domestic or non-domestic murder. It so happens that more husbands kill their wives than wives kill their husbands. If the murder was committed during the commission of another criminal offence, this was indicated. And each case was followed statistically from the time it became known to the police until its final disposition in the courts.

I might mention another bureau survey covering motor vehicle theft, which was used by the Hamilton chief of police as the basis for a year long campaign in which motorists were encouraged to lock their cars, and which had an effect of reducing substantially the auto thefts record in the Hamilton area.

Information on personal incomes is a matter which is always of widespread interest. D.B.S. has initiated a program for the collection of income statistics in 1952 and has maintained, intermittently, surveys on that matter ever since. The 1961 census, for the first time, collected comprehensive information on all kinds of income, and so far as I can see, it is likely that this will continue to be a matter for attention by the decennial census. It is hardly necessary to point out the importance of income statistics. The Area Development Agency makes use of such information, ARDA staff have used census data on rural incomes extensively to pinpoint depressed areas in need of assistance, municipal planning authorities have found the income data by census tracts very useful in town planning activities. The special planning secretariat in the Privy Council has made very considerable use, naturally, of income in its study of poverty. The Senate Committee on aging made extensive use of our statistics equally. The Economic Council is interested in income information, for example, in its examination of regional problems and in its analysis of the relationship between investment in education and the returns to education.

These varied activities illustrate that the Bureau of Statistics is an example of a highly centralized statistical system in which most of the central government statistical activities are located in one institution. This contributes to economy, consistency of data and the effective use of the skills of a scarce

professional staff. It does, however, require special machinery to ensure that government departments are properly served and, in a federal state like Canada, that the statistical needs of provincial and municipal authorities are recognized and met. These problems are in turn part of a concern with users in general who include business firms, regional development groups, labour unions and trade associations. D.B.S. has a long history of conferences and informal contacts with such groups, and in recent years these activities have been stepped up, with a strengthened information division and a regional statistics and analysis staff, within the bureau, the latter mainly concerned with the data needs of the provinces, regional development bodies and municipalities.

As the Minister has mentioned, the problems of respondents are very much a matter of concern to us. New surveys are undertaken, and existing ones are periodically reviewed, with the advice of trade associations or with firms to ensure that our requests are, so far as possible, consistent with the forms in which the company accounts are kept and that they are otherwise as easy as possible to complete. So far as smaller firms are concerned, simplified questionnaires are often used, and information is often secured from only a small sample of such enterprises. An effort is made to use information already collected by governments for other purposes, such as data collected by agricultural inspection services and the corporation financial statements submitted to the Department of National Revenue.

Long established businesses are already, in most cases, aware of D.B.S. services and make good use of them. Smaller firms are sometimes unaware of D.B.S. services or are uncertain as to how they should use them. Our information division is making an effort to help such firms and has recently prepared a booklet "How to profit from Facts" which is designed to meet their needs. This booklet has been very popular and we have received unsolicited requests for some 4,600 copies of this publication.

A large specialized support staff is necessary to the efficient planning and production of statistical data. The sampling and survey research staff, in the bureau, for example, assists in sampling and other mathematically oriented aspects of the collection and processing data, and at the other end of the production chain, the computer programming and tabulating divisions are responsible for the computation and assembly of data prior to publication. While some manually operated adding and calculating machinery will probably always be used in the Bureau of Statistics, there has been since 1960, a steady process of conversion to electronic computers with the elimination of much punched card equipment, which was for many years the mainstay of the tabulating operations in the bureau.

The present computer installation consists of a large computer purchased I think in 1960 and two medium sized machines acquired subsequently. The first large computer task was of course the 1961 census, but other important functions have been computerized as rapidly as the necessary planning and programming could be carried out. The computer installation is now operating close to capacity, night and day, on a five day week with considerable overtime on week ends. It is probable that the present equipment will be replaced within the next few years with a larger machine capable of absorbing still more statistical functions and tabulating the 1971 census. A careful evaluation of D.B.S. long term computer needs is consequently being undertaken.

Finally I might say just a few words about our international relationships. A great deal of consultation exists throughout the world on statistical matters and DBS participates actively and with great benefit in this. Countries can benefit from the experience, achievements and in fact the mistakes of one another and develop uniform measurements which facilitate international comparisons. An example of the latter feature is the monthly survey of the labour force, where the adoption of uniform procedures in Canada and the United States makes it possible to compare statistics of employment and unemployment in these two closely related countries. DBS has been an active participant in the United Nations Statistical Commission since its inception; we are active members of the Inter-American Statistical Institute, which includes Latin America, and our officers work closely with other international agencies such as the International Labour Office, the World Health Organization and the Food and Agricultural Organization. Where possible, but on a modest scale as befits our resources, we occasionally loan personnel to the less developed countries, and in Ottawa we receive many visitors from abroad, who come to study our operations in Canada.

The CHAIRMAN: Thank you, Mr. Duffett.

I think the Committee is as interested as I to see the wide range of activities which the bureau carries out and one reason that I think the Committee wanted to have the bureau dealt with separately, is that we recognize its importance and its status, and the fact that it is I believe a separate department of government with yourself, sir, with the status of a deputy minister responsible to the Minister of Trade and Commerce.

Since we are handling this as a separate department and since this is recognized in the form of the estimates, you will note that we have a general vote and two specific votes. I will now invite questions and/or comments from the members of the Committee related to vote 1.

DEPARTMENT OF TRADE AND COMMERCE

Dominion Bureau of Statistics—

1. Administration and operation including the fee for membership in the Inter-American Statistical Institute and a contribution of \$500 to the International Statistical Institute, \$16,904,500.

Mr. MUNRO: Mr. Chairman, just before you proceed, perhaps this was discussed before I arrived, but would it be possible to have the deputy's statement that he read. Are there copies available to members of the Committee?

● (11.30 a.m.)

Mr. DUFFETT: No, there is just one copy.

The CHAIRMAN: If there is some inevitable gap between the reproduction of the proceedings and the holding of the meeting itself, perhaps we could ask our clerk to be kind enough to have this statement mimeographed and distributed to members of the Committee. We will have it available before the formal printed minutes. Would that be satisfactory, Mr. Munro?

The first name I have on my list is Mr. Grégoire, followed by Mr. Andras. If there are others who would like to be recognized, please signify. Mr. Grégoire.

Mr. GRÉGOIRE: Mr. Chairman, my question relates to the quinquennial census of Canada, but as it relates especially to the administration of the D.B.S., I think I should put my question on vote 1.

The CHAIRMAN: I think that would be in order. I would like to suggest to the Committee that, in order to avoid what might be called repetition, perhaps the members might exercise some sense of self restraint and consider questions of this nature that they might ask now that they might feel necessary to repeat when we come to the final vote.

Mr. GRÉGOIRE: I would like to ask a couple of questions of the Minister.

(Translation)

Does the nomination of the commissioners of the quinquennial census come under the Minister? Does the Minister make all the appointments? Now, I believe that the Minister could not appoint all the commissioners throughout Canada and that he can not know them all, he therefore delegates his powers to other people. Could the Minister tell us to whom he has delegated these powers to choose the census commissioners for the quinquennial census of 1966?

(English)

Hon. Robert H. WINTERS (*Minister of Trade and Commerce*): We receive recommendations from a great many people who come into the office and they are processed through the office to the Dominion Bureau of Statistics and they evaluate the various candidates. They are chosen in that way.

Mr. GRÉGOIRE: Do you receive at your office the various recommendations?

Mr. WINTERS: That is right.

Mr. GRÉGOIRE: And you send these recommendations to the D.B.S.?

Mr. WINTERS: Yes.

Mr. GRÉGOIRE: Is the D.B.S. entitled to appoint some when all the recommendations have not arrived at your office?

Mr. WINTERS: Well, I presume they do, if recommendations do not arrive at the office and they still need someone in the district you go out and find them do you, Mr. Duffett?

Mr. DUFFETT: If it is suggested to us, yes.

Mr. GRÉGOIRE: So then most of these people are not selected. They make application to your office.

Mr. WINTERS: That is right.

Mr. GRÉGOIRE: You receive applications for all these people.

Mr. WINTERS: For all the census commissioners.

The CHAIRMAN: You are talking about the census commissioners?

Mr. GRÉGOIRE: Yes, of 1966. You have received all the applications in your office?

Mr. WINTERS: That is right.

(Translation)

Mr. GRÉGOIRE: Were there any letters sent to ask for applications?

(English)

Mr. WINTERS: I beg your pardon; I did not hear all of that.

Mr. GRÉGOIRE: Were there any letters sent to some people to ask for applications, or did those applications come by themselves?

Mr. WINTERS: As the Committee knows, I came into this business late in the day. Most of the work was done prior to the end of January, when I became Minister of Trade and Commerce.

Mr. GRÉGOIRE: Then, are we to suppose that most of the nominations were made before you were appointed Minister?

Mr. WINTERS: That is correct.

Mr. GRÉGOIRE: They were made under the previous minister?

Mr. WINTERS: That is right.

Mr. GRÉGOIRE: Then you are not too aware of how these applications were made?

Mr. WINTERS: No. There is a procedure set up in the office and very few, if any in fact, come to my attention. They are processed through the office when received there and sent over to the Dominion Bureau of Statistics.

Mr. GRÉGOIRE: How come then in a letter of March 14, 1966, signed by Mr. Duffett to Mr. Dionne, a member of Parliament the following appears in the third paragraph.

(Translation)

Since the Minister has not made any appointment yet, I could not tell you who will be the commissioners in the electoral constituency of Kamouraska.

(English)

So on March 14, no appointments were yet made.

(Translation)

The CHAIRMAN: The word "nomination" does not quite mean appointment.

Mr. GRÉGOIRE: Nomination?

It does not mean appointment in English?

(English)

The CHAIRMAN: A nomination and an appointment are not necessarily the same thing, although they have a general meaning in French.

Mr. GRÉGOIRE: An appointment is to appoint someone—

And "demand" in English does not mean "demand" in French. "Nomination" *en français* means appointment in English. I do not know the meaning of your word "nomination", but I know that "*nomination*" *en français* means "appointment" in English.

The CHAIRMAN: I agree with you there, but I just want to draw to the attention of the Committee the fact that "nomination" in English does not necessarily have the same meaning as "nomination" in French.

Mr. GRÉGOIRE: I am not speaking about "nomination" in English. I am speaking about the word in French.

(Translation)

Mr. GRÉGOIRE: Since the Minister has made no appointments yet—

(English)

That is appointment. So then the appointments were made on March 14, therefore, they were not made before you were Minister, but after.

Mr. WINTERS: No, that is right. There were some. The machinery was set up long before I came and it was well in process, but there were undoubtedly some that were made subsequent to that time. It was a relatively routine process.

Mr. GRÉGOIRE: So you had to appoint some?

Mr. WINTERS: Exactly.

Mr. GRÉGOIRE: Those who came to your office to make application; could you explain to us how these people made application? Did they receive any kind of a letter or was there any publicity on this?

Mr. WINTERS: I will ask Mr. Duffett to answer that. He is closer to the machinery than I am.

Mr. GRÉGOIRE: Was there any publicity from the D.B.S. for commissioners?

Mr. DUFFETT: No. The responsibility for selecting commissioners rests with the Minister and the Minister undertakes whatever inquiry he feels is appropriate.

Mr. GRÉGOIRE: Then, I will have to again ask the Minister: Was there any publicity to ask for applications for commissioners?

Mr. WINTERS: Do you mean publicity by putting ads. in newspapers?

Mr. GRÉGOIRE: Yes. You publicize that you need applications from such and such a constituency.

Mr. WINTERS: Oh, yes, undoubtedly there were such instances.

Mr. GRÉGOIRE: To whom did your department write to ask for applications? For example, let us take my constituency.

Mr. WINTERS: Did we write to you?

Mr. GRÉGOIRE: No.

Mr. WINTERS: I suppose we wrote to the people we knew in the constituency.

Mr. GRÉGOIRE: The people you knew were defeated Liberal candidates in my constituency?

Mr. WINTERS: It could have been. I do not know.

Mr. GRÉGOIRE: Do you know him. Do you know his name?

Mr. WINTERS: No.

Mr. GRÉGOIRE: Then, how can you say you wrote to the people you knew?

Mr. WINTERS: "People we knew" I said. They were known to the Department.

Mr. GRÉGOIRE: Who in your department knew my defeated opponent?

Mr. WINTERS: It is a matter of record.

Mr. GRÉGOIRE: The only people you know is the list of the Liberal candidates. Is that right?

Mr. WINTERS: No not exclusively, but we certainly know the list of the defeated Liberal candidates. We know the list of the defeated Social Credit candidates, too.

Mr. GRÉGOIRE: Well you did not send any letters to the defeated Social Creditiste candidates either.

Mr. WINTERS: I would not be surprised.

Mr. GRÉGOIRE: And the people you knew and write for having a list of commissioners or applications, is to the list of elected or defeated Liberal candidates. Is that right?

Mr. WINTERS: I would suppose, among others, we write to them, yes.

Mr. GRÉGOIRE: And who would the others be?

Mr. WINTERS: People we know in the various constituencies.

Mr. GRÉGOIRE: Would we be able to have, for example, the list of people you have written to besides the Liberal candidates in my constituency?

The CHAIRMAN: Perhaps I could interject here. If we are dealing with correspondence that may be classed as of a personal or confidential nature and it is not therefore the type that could be produced in the House—

Mr. GRÉGOIRE: Mr. Chairman, this is not of a confidential nature.

The CHAIRMAN: Just wait until I have finished my comment. You may not disagree when you have heard what I have to say. I do not know the nature of the correspondence, but I will just make what you might call a cautionary comment at this point, and I address this to the Minister and to the Dominion Statistician as well as to the members of the Committee. If we are referring to correspondence which may be headed personal and confidential and therefore, not of a type which could be produced in the House by an order of the House, I do not know whether it is the type of correspondence which could be produced in this Committee. I just make this comment at this time.

Mr. LAMBERT: Unless the privilege is claimed by the Minister or his representative, then it is the business of the Committee.

The CHAIRMAN: Fine. I am just making this comment so—

Mr. LAMBERT: Even though they are marked personal and confidential, the privilege must be claimed.

The CHAIRMAN: —this point will be kept in mind. I am not saying that I take issue with this.

Mr. GRÉGOIRE: We know very well that those letters were sent to people who were on a list and were not of a confidential nature. They asked for these applications. It was sent to all Liberal candidates and elected members. It is not of a confidential nature. That is what I am questioning. Did you send letters to people other than defeated or elected Liberal candidates?

Mr. WINTERS: I do not know.

Mr. GRÉGOIRE: So these letters were sent before you were appointed?

Mr. WINTERS: Yes, sir.

Mr. GRÉGOIRE: But the answers came after you were appointed?

Mr. WINTERS: I do not know the nature of all these letters. It is a matter that is done on a relatively routine basis. Very few of these letters come across my desk, as the ministers who preceded me will recall. We have followed a practice and if you are trying to establish there is some political patronage in this thing, I do not mind if you say that, and do not hesitate to say it; but this is a routine matter of handling something that has been carried out for years. As a matter of fact, in my reply to questions in the House of Commons, I have been using precisely the same words that were used by my predecessor when the previous government was in office.

Mr. GRÉGOIRE: So you would say in 1961, the same pattern was followed?

Mr. WINTERS: Exactly the same pattern.

Mr. GRÉGOIRE: Did your Department give—

The CHAIRMAN: Order, please, gentlemen. We all want to hear Mr. Grégoire's question.

Mr. GRÉGOIRE: In a letter dated March 24, and signed by yourself, you say that Mr. Pierre Gadbois, Directeur regional in Montreal is responsible for the province of Quebec. Is Mr. Gadbois here this morning? Is he the one who sent the letters, or is it your Department that sent the letters?

Mr. WINTERS: We would have sent the letters.

Mr. GRÉGOIRE: Your Department sent the letters to all elected or defeated candidates?

Mr. WINTERS: Among others, I would say. I do not know whether we did this or not. I am just making that as a supposition.

Mr. GRÉGOIRE: You do not know if others were sent letters?

Mr. WINTERS: Presumably we have. Yes I know I had in some cases addressed letters to others.

Mr. GRÉGOIRE: Would it be possible to have a list of all the people to whom you sent letters to ask for applications?

Mr. WINTERS: No; this has always been regarded as confidential, by every government.

Mr. GRÉGOIRE: How come this is confidential? You are just asking for applications.

Mr. WINTERS: It is privileged correspondence.

Mr. GRÉGOIRE: I am not asking for the correspondence, I am asking for the list of the people to whom you have written.

Mr. WINTERS: This has always been regarded as privileged, has it not, Mr. Duffett?

Mr. GRÉGOIRE: Is it in the R.D.'s list in the office of the D.B.S. too, or only the office of the Minister. It is then the office of the D.B.S. who says it is privileged.

Mr. WINTERS: I say it is privileged.

Mr. GRÉGOIRE: The list of the names to whom you have written.

Mr. WINTERS: Yes.

Mr. GRÉGOIRE: But we may conclude that all candidates elected or defeated of the Liberal party are on that list?

Mr. WINTERS: No; I do not think that is a fair assumption.

Mr. GRÉGOIRE: But most of them are?

Mr. WINTERS: I would think a lot of them would be, but as you well know, defeated candidates drift off here and there and go into other areas and in other occupations and they are not always available to carry out undertakings such as this. I would not give you that as a categorical answer.

Mr. GRÉGOIRE: I can give you an example. The defeated Liberal candidate in my constituency was appointed, does that mean he appointed himself by giving you this application.

Does it mean that he was the one who received this letter to ask for application and by answering, he gave the name of the main organizers including himself.

Mr. WINTERS: Well, you have the letter there.

Mr. GRÉGOIRE: I mean the list of the appointed commissioners. Is that the way you proceed?

Mr. WINTERS: Either we wrote him or he wrote us. We either ask him for a list of recommendations or he submitted a list. I do not know which it was.

Mr. GRÉGOIRE: But before submitting a list, they must have known there was a list to be submitted?

Mr. WINTERS: We get many, many recommendations. My telephone has been busy with people calling up asking opportunities to work on the census. I do not call them and then ask them to call me.

Mr. GRÉGOIRE: But the one you usually choose is on the list submitted by those to whom you have written.

Mr. WINTERS: I would not say that.

Mr. GRÉGOIRE: Well, could we have—

Mr. WINTERS: It is quite often a fact that the defeated Liberal candidate or the Liberal member of Parliament—because the Liberal government is in office now—does submit recommendations. Those recommendations are then processed by the Dominion Bureau of Statistics. When the previous government was in

office, exactly the same procedure was followed, and no one worried too much about this and in fact, there is really no other good way of getting the 37,000 odd people we need for this exercise.

Mr. DUFFETT: We need 1,450 commissioners and the commissioners appoint 35,000 enumerators.

Mr. WINTERS: So we have close to 37,000 people.

Mr. GRÉGOIRE: But these 1,400 are appointed by the Minister; the others are appointed by the commissioners?

Mr. WINTERS: That is right.

Mr. GRÉGOIRE: For example in my constituency there are five. Do you think it is normal that you apply to the one that was defeated to have the list of applications?

Mr. WINTERS: I would say it is normal.

Mr. GRÉGOIRE: You would say it is normal?

Mr. WINTERS: Yes.

Mr. GRÉGOIRE: And the elected ones have nothing to do with that?

Mr. WINTERS: They can make recommendations, if they wish.

Mr. GRÉGOIRE: How can they know? Did you write to them to ask them for recommendations?

Mr. WINTERS: I am sure the kind of members we have do not need to be written to.

Mr. GRÉGOIRE: Did you write them to inform them that there would be applications?

Mr. WINTERS: I do not recall writing you, but that did not put any impediment in your way of making recommendations.

Mr. GRÉGOIRE: But how should we know?

Mr. WINTERS: You knew.

Mr. GRÉGOIRE: No, I did not.

Mr. WINTERS: Oh, you are a—

Mr. GRÉGOIRE: I did not know. I heard about it for the first time when I saw you about it and I was surprised. I never knew about it before.

Mr. WINTERS: Well you knew a census was going on.

Mr. GRÉGOIRE: How can you suppose that I knew and your defeated Liberal candidate did not know.

Mr. WINTERS: I am not making any such supposition.

Mr. GRÉGOIRE: If you thought he knew, you would not have written him.

Mr. WINTERS: I do not say I wrote to them all, I just said it is likely that we communicated with a lot of them, but many do not need to be written to.

Mr. GRÉGOIRE: Do you recall if your Department wrote to the one in Lapointe?

Mr. WINTERS: No, I do not recall.

Mr. GRÉGOIRE: Would it be possible for us to know that? Could you look in your files to ascertain if you have written?

Mr. WINTERS: Well, this has always been regarded as confidential; but I am quite willing to assume that we did write to him, if that will help you.

Mr. GRÉGOIRE: Yes, I would like to have that information, concerning that?

Mr. WINTERS: Let us assume that we did write to him, then what?

Mr. GRÉGOIRE: I would like to know why you have written to him and not to the others, the one that was elected not only in my constituency, but in all constituencies. Why you write when you say anyone can make application, but we do not know. I know for 1971, but for this census, I did not know at all. Why did you write to one that has been defeated and not to the one that has been elected?

Mr. WINTERS: Because this is just the practice; this is the way it has been.

(Translation)

Mr. COMTOIS: Could I put a question to the deputy for Lapointe, please?

The CHAIRMAN: I think it might be easier to proceed in a regular fashion, until the honourable member of Lapointe has finished his questions.

Mr. GRÉGOIRE: I am ready to accept the honourable member's question.

Mr. COMTOIS: Here is my question. Is it the privilege of the elected or defeated candidate to appoint enumerators? At the last election, whom did you appoint in your constituency? Liberals or Créditistes?

Mr. GRÉGOIRE: I am quite ready to answer that question, Mr. Chairman. Those appointed were Créditistes, but all those who received money to cover enumeration put it back in the electoral fund to have newspaper, radio and T.V. advertising. Those who did so, did so voluntarily to allow the Ralliement des Créditistes to have radio or T.V. broadcasts so to be able to compete with the big Liberal war-chest.

Mr. CHAIRMAN: Mr. Comtois, please!

Mr. COMTOIS: It is a privilege for the Minister just as it was in Mr. Grégoire's case.

The CHAIRMAN: This is a very interesting discussion, it is very important for us to find out something from the Créditistes how they fill their war-chest. However, I doubt if this comes under the matter under discussion at this time, I would ask members of all parties to remain within the bounds of discussion we have at this time. We are dealing with D.B.S. estimates and I will allow the honourable member for Lapointe to continue his questions.

Mr. GRÉGOIRE: Mr. Duffett, are appointments of census commissioners on other surveys such as unemployment statistics, are these appointments made according to the same principle or on the same basis as in the case of the national quinquennial census?

(English)

Mr. DUFFETT: In part. In the case of the labour force survey, which is what you are referring to, I think, we accept nominations from whatever source comes to us. In some cases the nominations, or the suggestions rather, reach us through the Minister's office. In other cases, and in very many cases, the suggestions reach us from other sources. In some cases we utilize the national employment service and in others, we put advertisements in the paper asking for people who are prepared to do this kind of work.

Mr. GRÉGOIRE: I think when you advertise it is a more sensible way, because in that way you give the chance to everyone to apply. But many times you say the applications come through the Minister's office?

Mr. DUFFETT: From time to time. There is an important distinction, I think. In the case of a labour force survey, the appointment of enumerators is a gradual process, two or three or four a month perhaps. In the case of the census, the number of commissioners to be appointed, 1,450, is very large and has to be done on very short notice. These people must be available for training at a particular time and must be available for work at a particular time. The magnitudes of these operations are quite different and the procedures are, I think, appropriately different.

Mr. GRÉGOIRE: In the case of a quinquennial census, is there a competition?

Mr. DUFFETT: In the case of the quinquennial census, the persons who are suggested to us are interviewed by the staff of the Dominion Bureau of Statistics to discover whether their qualifications are what is required. In some cases they are satisfactory and in other cases, we inform the Minister's office that we do not feel these people can do the job satisfactorily.

(Translation)

Mr. GRÉGOIRE: Is there a competition with marks and a minimum?

(English)

Mr. DUFFETT: Not for the commissioners, but for the enumerators, there is a formal test.

Mr. GRÉGOIRE: Not for the commissioners?

Mr. DUFFETT: No, because the work of the commissioners does not lend itself to this kind of test.

The CHAIRMAN: Did you say there is a form of examination for the commissioners?

Mr. DUFFETT: I beg your pardon?

The CHAIRMAN: Is there a form of examination for the commissioners for the census now under way?

Mr. DUFFETT: No; there is an interview by two members of the regional office staff of the Dominion Bureau of Statistics.

The CHAIRMAN: Each one is interviewed?

Mr. DUFFETT: Each one is interviewed by two members of the bureau.

Mr. GRÉGOIRE: What kind of questions are they asked?

Mr. DUFFETT: We have a booklet which indicates the qualifications of commissioners and I can provide you with a copy of this. The questions revolve around—these are bilingual, and perhaps we could distribute them.

Mr. MONTEITH: I do not recall what kind of commissioners I may have nominated myself, so may I have a look at one of these booklets?

The CHAIRMAN: We will take it for granted that they were of high calibre.

At what stage does this interview take place?

Mr. DUFFETT: In the case of the most recent census, the interviews took place between December 1 and March 31.

The CHAIRMAN: No, but at what stage with respect to the final appointment of the commissioners?

Mr. DUFFETT: The interview takes place before his final appointment.

The CHAIRMAN: Are the people whose names you receive from the Minister automatically appointed?

Mr. DUFFETT: No. There is an interview. Usually what happens is that we get a number of names from the Minister's office; we then interview these people and determine who is the best and report this back to the Minister's office.

The CHAIRMAN: I am correct in assuming there are some people who are made known to you by the Minister's office who do not get appointed as commissioners?

Mr. DUFFETT: Oh, yes, very substantial.

Mr. WINTERS: We have a great number of fights about that.

Mr. GRÉGOIRE: Mr. Winters, do you not think it would be a better pattern to have this publicly advertised, instead of keeping it closed to small groups?

Mr. WINTERS: I talked to the Dominion Statistician about this to see if he thought some other system would be better, but he thinks, and I understood him to say, that with regard to the nature of this short term operations and the mass of program that has to be put on for such a short time, that this system, in his opinion, is a satisfactory one. He can speak for himself.

Mr. GRÉGOIRE: Do you think that these letters requesting applications should be sent only to one party and not to all, or at least to all elected members? Do you not think it would be better if all elected members received a notice?

Mr. WINTERS: It is open to all elected members to make recommendations.

Mr. GRÉGOIRE: Yes, but we have to know first. It is open to anyone to make application. It is open to everyone to submit a list of applications, but do you not think it would be better if all elected members received notice that applications are requested. As it stands now only the Liberal candidates, elected or defeated, receive this notice. Do you not think it would be preferable that all elected members receive it as well?

Mr. DUFFETT: I suspect I should not comment on this, but I can make one observation. That is that the system works satisfactorily. A system such as this exists also in the United States where it works. What is required are some 1,400

to 1,500 people who are well qualified, can exercise leadership, are well known in their community and who are prepared to make themselves available for this work for a relatively modest fee. We have, speaking quite frankly, wondered from time to time whether there might be alternative methods of selecting the commissioners and selecting the enumerators. I have spoken from time to time to the commissioner of the Civil Service Commission and the reaction of the Civil Service Commission and our own feeling are that a job of this magnitude would be quite beyond them. They are not geared up to doing a big job like this at decennial intervals.

Mr. GRÉGOIRE: Mr. Duffett, you do not know all the commissioners personally. That is why you answered that way, because if you knew them, I know the answer you have just given would not be the same. They are not all aware of their responsibilities and know what they are doing. I know from people in my constituency and other constituencies that you would not give the same answer if you had known all these people.

Mr. WINTERS: Are you suggesting that some of them are not competent to do the job?

Mr. GRÉGOIRE: Yes.

Mr. WINTERS: Could you give us their names?

Mr. GRÉGOIRE: Yes sir, I will give you the names.

Mr. WINTERS: Now?

Mr. GRÉGOIRE: Yes.

Mr. WINTERS: Publicly?

Mr. GRÉGOIRE: Yes.

Mr. WINTERS: Please proceed.

Mr. GRÉGOIRE: In the constituency of Lapointe there is a Mr. Brassard, a farmer who had to sell his farm; he had nothing to do and was appointed for that job.

An hon. MEMBER: Are you alleging incompetence?

Mr. GRÉGOIRE: Well, you ask in the constituency how it was done. I know how it was done. He did not do the job himself, because he took someone else along with him to do the job. Then there was a barber who had no special qualifications to be a commissioner on a national census. He had one qualification and that was he was the chief organizer of the Liberal Party in the municipality of Jonquière. That was his main qualification.

Mr. WINTERS: He was probably a very good barber, too.

Mr. GRÉGOIRE: The other one was a provincial candidate for the Liberal Party in the June election and he was removed because he was not found fit to be a candidate. I can say this.

● (12.00 noon)

Mr. MONTEITH: Do you think all candidates should be fit for this job?

Mr. GRÉGOIRE: My question is this: Do you think that the notice asking for applications should be sent only to defeated members and not to the elected

members. Do you not think if they were sent to elected members, they would be entitled to give some names?

Mr. DUFFETT: This is a matter for the Minister's judgment. He is operating within the instructions of the Statistics Act, and it seems to me that if this is felt to be an inappropriate way of proceeding, then the appropriate procedure would be to change the Statistics Act. All I can say is that we believe honestly that the system now used works better than an alternative which might be developed. The occupations and political affiliations, and so on, of those who are recommended to us are not communicated to us. We do not know them. These people are interviewed by D.B.S. officers, who are instructed to be rigorous. They may make mistakes and you may feel in these cases they have made mistakes, but the interviews are in terms of an effort to establish their competence.

Mr. GRÉGOIRE: But Mr. Duffett, do you not think you would achieve the same results if, instead of sending these notices only to the Liberal candidates, you send them to all elected members?

Mr. DUFFETT: This is a matter for the Minister to decide.

Mr. GRÉGOIRE: May I ask this same question of the Minister: Does he think the same result would be achieved if these notices were sent to the elected members, Conservatives, Liberals, N.D.P., Social Credit or anyone else, instead of the list being sent to all Liberal candidates?

Mr. WINTERS: As I have said at the outset, I have inherited a system which was operating satisfactorily and I came in half way through this present program. It seems to me to be satisfactory. I have spoken to the Dominion Statistician about these suggestions that have come to us and I am willing to consider any suggestion, but I am not prepared to say at this time that we will change the system.

Mr. GRÉGOIRE: But the question was: Do you not think the system would be as efficient if the notices were sent to all elected members instead of to all Liberal candidates?

Mr. WINTERS: I will not give an opinion on that now. This system is working satisfactorily.

Mr. GRÉGOIRE: Do you not think I would have been able, for example—

Mr. WINTERS: I will consider your suggestion.

Mr. GRÉGOIRE: —in my constituency I would have been able to give you as good a list, as the defeated Liberal candidate?

Mr. WINTERS: I would not think you could have given me a better list.

Mr. GRÉGOIRE: As good, I said. Do you not think Mr. Cameron could have given you as good a list, as if—

Mr. WINTERS: That is something I do not think I should comment on. It is too hypothetical.

The CHAIRMAN: Mr. Cashin, if Mr. Grégoire would yield, I would accept a supplementary question.

Mr. CASHIN: My supplementary question really arises out of the question

that Mr. Grégoire asked a few moments ago about considering changes in this. I was wondering, in view of the fact that the Minister came in, in the middle of this procedure and in view of the fact that it has been followed for many years, and in view of the fact, too, that it will be another five years before we get a crack at it, if maybe the matter could be resolved by the Minister undertaking to look at the procedure. If he is in the same position in five years' time, then perhaps he may well find a manner or a procedure that is more acceptable. Also by that time, he will be more familiar with this aspect of his portfolio and accordingly might be in a better position to render an answer to some of the questions that Mr. Grégoire is asking. Therefore, I wonder if this would not resolve the present line of questioning and the matter could be stood over for five years.

Mr. WINTERS: As I have said, we have been looking at it, and I have been discussing it with the Dominion Statistician to see if there are approaches to it that could be better. We will do that. I think that is a very reasonable suggestion.

The CHAIRMAN: Do you have any further questions at this point?

Mr. GRÉGOIRE: Would the Minister be ready to table a list of all those people who received the notices for applications?

Mr. WINTERS: No. That is privileged information.

Mr. GRÉGOIRE: As we know lots of them—

Mr. WINTERS: I do not think it would be fair to do that when everyone in the country is free to submit recommendations, and if I table a list of those who wrote in the first place, I should similarly table a list of everyone who made recommendations to us and that is just innumerable.

Mr. GRÉGOIRE: I am not asking for the list of those who made applications—

Mr. WINTERS: I know what you are asking.

Mr. GRÉGOIRE: —but, I am asking for a list of those to whom notice was sent asking them to send a list of applications.

Mr. WINTERS: No; I think we will regard that as privileged, as we always have.

Mr. GRÉGOIRE: Would you admit then, that a notice like this has been sent to all Liberal candidates, elected or defeated?

Mr. WINTERS: No; I would not admit that.

Mr. GRÉGOIRE: Are you sure it was not sent?

Mr. WINTERS: I think I would be safe in saying it has not been sent, because, as I said, many Liberal candidates who were defeated have gone and they are no longer in their constituencies, and they are not taking any interest in local politics.

Mr. GRÉGOIRE: But to those who have stayed in their constituencies, this has been sent?

Mr. WINTERS: I do not know. I am not able to answer that, because I have not checked it.

The CHAIRMAN: Mr. Andras, I think you are next on the list.

Mr. ANDRAS: Thank, you, Mr. Chairman. It is going to be a difficult act to follow, and much duller.

I was very interested in some of the remarks of the opening statement and before that, in reference to the second annual review of the Economic Council of Canada. I presume Dr. Deutsch's statement that there is a difficulty in establishing economic and monetary policies because of the problems in gathering statistical information—perhaps if I quote this I could set the scene for what I am interested in. Under the section monetary policy, in the chapter economic fluctuations he says, and he is dealing with the role of monetary policy as an instrument of stabilization:

For example, if the monetary authorities have to wait until expenditures actually weaken before taking steps to generate counter-balancing expenditure increases, three sources of lag in the effects of policy actions behind the time of need may be distinguished. First, there may be a lag involving recognizing that action is needed and this arises from the delay in collecting and analyzing statistical information on the economy's performance.

He then goes on to talk about the decision lag and then the action lag in taking hold once they do take measures. As you made reference to this yourself, what do you feel are the main limitations in solving this very, very huge and very important problem? What are the main limitations on D.B.S. in sort of getting at this thing?

Mr. DUFFETT: The limitations, naturally, vary with the field. In some cases, where we obtain statistics, let us say, on the imports and exports from governmental sources, there are lags in getting the material from the customs ports and some modest time involved in the Bureau of Statistics in processing the material. If one is concerned with data coming from a private sector, from business firms, not all business firms respond equally promptly to our questionnaires. Many do, but in other areas, it is necessary to follow them up through their regional offices.

In the case of the business community where small firms are slow in responding we can, in some cases, simply put in estimates of what we believe their shipments, or whatever it is, were for that particular month. If it is large firms, then it takes a considerably longer time, and we would hesitate to publish the information until we receive the return from them. Clearly, a good deal of attention needs to be given to the response problem. We have eight regional offices across the country whose principal function it is—not whose principal function it is, but one of whose principal functions it is—to follow up the delinquent reports and to try to get them as quickly as possible.

Some time, of course, is required for processing this material in the Bureau of Statistics. In most cases this has been reduced to the minimum compatible with the technical procedures involved. If it is possible to process these data by computer, obviously some time could be saved, because a computer works very quickly. In some cases material still has to be done by hand, and it may take a little longer; but the amount of time involved within the Bureau of Statistics in processing data, is with the given state of technology, pretty well at an irreducible minimum. I think, also, one thing that the Economic Council may

have been referring to, are areas in which measurement is extremely difficult. Phenomena such as imports and exports are clearly recognizable and clearly recorded. Other phenomena are much harder to recognize and to measure. We spent a long time—

Mr. ANDRAS: In other words, it would be difficult to establish exactly what information to collect. Is that a proper interpretation?

Mr. DUFFETT: And to discover methods by which you can collect it meaningfully. For example, the present state of statistics on unemployment and employment in the labour force, represents the culmination of studies extending over, I suppose, 10 or 15 years, to decide exactly what questions should be utilized in order to be sure that you get the right sort of answers. Even here, one can argue that more work needs to be done. For example, if you go to a community that is isolated, in which very little opportunity exists for work, and ask people in the community whether they were looking for work last week, some will say "yes" and some will shrug their shoulders and say "no", realizing perfectly well that it is fruitless to look for work. So the definitions used in the labour force survey, or in other surveys, particularly of social characteristics, characteristics which represent attitudes of mind, are very difficult to achieve.

Mr. ANDRAS: Would you say your major problem then is that of a policy definition, or of defining exactly what is the most pertinent type of information to get. I am keenly interested in this, because it seems to me that if we could come up with a pattern on statistical information that would solve the first of these lags, that Dr. Deutsch refers to, it would be a tremendous breakthrough. I do not think it probably exists in any country. Even the United States is not able to develop a pattern of statistical reporting—at least I assume they cannot.

Mr. DUFFETT: Our pattern is very similar to that of the United States. In fact, we work very closely with the Americans in trying to obtain answers to some of these rather difficult questions.

Mr. ANDRAS: Are there any research studies or research projects under way, devoted entirely to finding out what pattern of information gathering should be established?

Mr. DUFFETT: In a sense, yes. This is not a program. In every field, we try to set aside people within the bureau to work on these rather difficult conceptual problems. You inquired whether there was a framework or a pattern? In some areas there is. The national accounts, the gross national product, the national income, the national expenditure and all that goes with it, constitute a conceptual pattern within which gaps can be clearly identified, because the gross national product system is an effort to describe the whole of the economic activities of the community within this broad framework.

When one comes to social statistics, and in a sense, unemployment statistics are an aspect of social attitudes, it is much more difficult, because there is no corresponding framework within which this can be done. There are other types of framework, what is called the input-output area of investigation, which endeavour to establish the flow of resources, raw materials and manpower and capital, into given industries and the flow of finished products out of the industries. This constitutes another pattern or framework and it is very useful in this respect, because it serves to identify the gaps.

Mr. ANDRAS: Is there any absolutely concentrated specialized research in any of the universities in Canada or in the United States, or even outside of universities, who just simply set aside the best trained economic economist in the country or on the continent, aside from the daily activity of any other responsibility, to simply come up with this answer to the conceptual problem? Dr. Deutsch indicated to me in some conversation that this is one of the real problems. There are not even today, 1966, enough top flight economists available for all the problems that we want to vie them to.

Secondly, in the business cycle, as opposed to the longer term thing, there is a real lack of knowing what exactly would be desirable to obtain. Do you know of any concentrated effort on this, or is this sort of a day to day thinking process?

Mr. DUFFETT: There is no one area in Canada nor, so far as I know, in the United States, where the entire statistical system of a community is appraised and studied. This tends to be done more at the government level. The Economic Council can make a valuable contribution to this in Canada and in the United States, the office of statistical standards, which is part of the treasury, is responsible for appraising the entire statistical pattern of the community and deciding how the priority should be decided upon.

I have a feeling that, as long as I shall live, there will always be inadequacies somewhere in the statistical system. There will be questions which are important to have for which an answer will not be available, because of the changing pattern and because of the limited resources. After all, there is a limit to the resources that can be devoted to statistical investigation in any country, even a wealthy country like the United States. In Canada, the resources devoted to statistical investigation have grown enormously in the last few years. During the last four years the establishment of the Bureau of Statistics has grown by 40 per cent. This is about as rapid an increase as one can expect and it certainly has been as rapid an increase as we can digest.

Dr. Deutsch mentioned to you, I gather, that there are problems of shortages of manpower, shortages of economists, statisticians and other experts who have been directed to carry out these investigations. This is very true.

Mr. ANDRAS: You mentioned the question of co-operation from the response of business and so forth. I hear from time to time and I would imagine others have too, complaints by small businessmen and the executives and managers of large business firms, about the detailed information that is requested of them. Do you have any public relations program of telling them why this information is needed and what is done with it? I have had some experience with chambers of commerce, and it occurs to me that this would be an organization to sell this idea to. If the chambers of commerce across the country could be convinced of this necessity, you might get greater co-operation. Is there any program such as this?

Mr. DUFFETT: Yes. We are enlarging our activities in this respect. Mr. Marten, who is present this morning, is in charge of our information division and he is recruiting as quickly as he can, additional people whose duty it will be to explain our needs to the respondent. It is perfectly natural, I think, that there should be on the part of small firms, a feeling from time to time that there is an unnecessary burden being imposed upon them, because the small firms

tend not to use the statistics directly. In fact, they probably do obtain advantage from them, because their trade association uses the data, and the government uses the data to try to create an atmosphere in which they can work effectively.

Large firms almost never have complaints that cannot be met to their satisfaction. Large firms generally use our material and they are among the most aggressive groups in the community asking for more. Within a firm, you may well find that the accountant is dissatisfied with the amount of work that he has to do for the Bureau of Statistics; whereas the sales department is dissatisfied because it does not get more from the Bureau of Statistics. And we, from time to time, try to bring these two people together to work it out themselves.

Mr. ANDRAS: I would agree with this from my own experience. Do you get co-operation from labour unions in the statistical information requested?

Mr. DUFFETT: Yes.

Mr. ANDRAS: Concerning your economic statistical units for study, can you give us any indication—and I am talking about the employment, unemployment and so forth—whether you use any N.E.S. regions mainly as your basic geographic unit?

Mr. DUFFETT: To some extent. The matter that you have just raised is a very important one, because, within the last 10 years, there has really been a revolution in the form in which people want statistical data. Ten years ago, there was very little interest in regional information, but in recent years, more and more regional and economic planning is being undertaken by provinces, by municipal bodies and by regional organizations. They are very anxious to have statistical data in a form which can be applied to the particular area which they represent, or in which they are interested.

We, at this moment, have an interdepartmental committee working very hard on the problem of deciding what the minimum geographic unit should be. It would be desirable to achieve the geographic unit which could be combined in whatever variety of ways the users want it.

Mr. ANDRAS: This leads beautifully to what I was going to request of you. How practical would it be to make this geographical unit the constituencies, the electoral districts of the country? I have a personal interest in this and would like to be able to get a picture of my constituency with all the economic indicators, and be able to judge the economic health and progress from time to time. How practical would it be for you to make that your firm geographical unit?

Mr. DUFFETT: I would think that would be too large a basic unit. I think we should have data which will add up to constituencies, or to counties, or to whatever it is the group wants. Planning bodies, having responsibilities over a certain area, will not necessarily have an area that corresponds to a constituency, so that the data ought to be available in a form which can be combined or re-combined to meet their needs.

The CHAIRMAN: Do not the census tracts which have existed up to now, correspond, when you add several together, roughly to the previous or present constituency boundaries?

Mr. ANDRAS: They cross a lot of lines, as far as I am concerned.

Mr. DUFFETT: The census—

The CHAIRMAN: Not the single tract, but I have noticed in my own area, if you group together a certain series of tracts they roughly correspond to the constituency boundaries which will disappear in the new redistribution. I am sorry that I interrupted.

Mr. ANDRAS: But you must have several conflicting geographical units, N.E.S. for instance.

Mr. DUFFETT: That is right. These units are to some extent in conflict. The N.E.S. areas correspond to some extent to areas which are convenient for administration and which have easy communication between those who are being served and the N.E.S. office. Part of the interdepartmental investigation, that is now taking place, is to see whether it would be possible for the National Employment Service to adopt a series of units which would at least be consistent with municipal areas. In reference to constituencies, we would have to take into account the fact that these change from time to time.

Mr. ANDRAS: This is right, but practically any unit that you would set up today might be invalid 10 years from now.

Mr. DUFFETT: I hope the majority of the units would be small enough and solid enough that we could retain them over a long period, combining them into larger groups which themselves might change.

Mr. ANDRAS: Like poll structures within a constituency. Is there definite progress being made towards standardizing these units and, I presume, it would be most useful to co-ordinate this between federal-provincial activities in this field as well, not only from the information gathering process, but from the flow down of any action that is being taken as a result of that information?

Mr. DUFFETT: This is a fairly recent matter of concern, arising mainly from the increased activities in the provinces and municipalities. It is being very actively pursued at the interdepartmental level and also in discussions with the provinces. We have had a series of meetings over many years on economic statistics with the provinces, but the most recent ones concern themselves very much with this problem of economic regions and the extent to which data can be provided for them.

I might just mention in passing one problem with very small economic regions, and that is the secrecy provision of the Statistics Act. We are not permitted to make public information which would disclose details of the operation of any one firm.

Mr. ANDRAS: No but you could—

Mr. DUFFETT: If the area which was of interest was sufficiently large, we would combine a group of the smaller components in a way which would conceal the operation of any one firm.

Mr. ANDRAS: This is most interesting and my time is almost up, but could I just ask one final question: First of all, recognizing the benefit of being able to solve this problem that the Economic Council has referred to, and I am sure you have referred to, is there anything that we can do as parliamentarians to speed up this whole process. Is the limitation of funds granted to D.B.S. a factor?

Mr. DUFFETT: During the last four years—

Mr. ANDRAS: That is almost a licence to steal, is it not?

Mr. DUFFETT: It is a licence which I, unfortunately, cannot pick up, because during the last four years, the organization has grown by about 40 per cent. This has represented the limit of our capacity to recruit and absorb people. The ultimate limit has not yet been reached and we anticipate that further very substantial growth will take place within the organization and I hope that, as in the past, we can have government support to obtain the necessary resources. I must say that, in the last four years, the financial restriction imposed by treasury has not been a serious handicap.

Mr. ANDRAS: For instance, you still have to compile some of this by hand?

Mr. DUFFETT: Yes. We still compile certain data by hand, but we are rapidly converting as quickly as we can, to the computer. This process is not one that can safely happen quickly. It has to be carefully done, otherwise, the results come out very quickly and very badly.

The CHAIRMAN: If I could interrupt now, we might try to keep our questioning to 25 or 30 minutes in length. Mr. Irvine you are next.

Mr. IRVINE: Mr. Chairman, it will not take me that long, I assure you.

I was rather interested in some of the things the member from Lapointe mentioned, and I am not going to belabour this point at all, because I am sure that even though the Minister might not know, and it is to be expected that he would not know who the people were that were appointed in these various areas as census commissioners, and so forth, if we were to examine the list it would be a different list from the ones that were appointed in 1961. This would be rather understandable, too. Perhaps the Minister might be able to answer this, and if not, maybe we can go on the assumption that while the one man that was mentioned was a barber, I presume that he must have run rather a successful clip joint or else he would not have been selected.

● (12.30 p.m.)

I have had several letters from small business firms complaining about the number of forms that they get in the course of a year that have to be filled in. Some of these firms are very small and they have no auditing staff. Some of them do not even employ the services of an auditor, because of the very nature and size of their businesses. I am wondering what percentage of these people do not reply. Perhaps the Minister or Mr. Duffett could give us a figure on the percentage of these people who, in essence, may almost ignore these requests. I know there are penalties involved.

Mr. DUFFETT: I would like to make one observation first, and this is that the Dominion Bureau of Statistics is by no means the only government agency that is asking for returns from business firms.

The Dominion Bureau of Statistics has, in recent years, not greatly increased the amount of information that it seeks from the business community, but other agencies of government, which I shall not mention, have sought additional information and sometimes the respondents fail to distinguish very clearly between these, so that we do in fact get blamed occasionally for things that are not strictly our fault.

With regard to small firms and their problems, if the Chairman will permit, I would like to ask Mr. Berlinguette, who is director of the industry division and who deals with a larger number of these firms than anyone else in the bureau, to make some comments on this problem.

The CHAIRMAN: I would ask Mr. Berlinguette to be seated near the microphone so his remarks can be recorded.

Mr. V. R. BERLINGUETTE (*Director, Industry Division, Dominion Bureau of Statistics*): The question I think dealt with the percentage of firms that did not reply to our questionnaire. In connection with the industry statistics area, I would say that the percentage is relatively small in numbers. With 55,000 or 60,000 firms or establishments it would be around 3 or 4 per cent. There are very small established operators who have very limited resources as far as accounting records are concerned. In these areas we try our best to simplify the questions as much as possible. We have simplified forms. If they refer to us and explain the difficulties, we make arrangements with them and try to co-operate in telling them how they can provide this information in a simpler way. We realize the problem here and we do our best to help them out.

Mr. IRVINE: Mr. Chairman, may I ask have some of these people been prosecuted or fined for not having filed these reports?

Mr. BERLINGUETTE: Mr. Chairman, it is not the practice to prosecute these people.

Mr. IRVINE: I would also like to have some information on the survey that was made on motor vehicle thefts. I believe this was how it was worded, but I am not sure of this. I do not want to take too much time on this, but what roughly was the result of the survey and what did it accomplish?

Mr. DUFFETT: Here again, Mr. Chairman, I can reply to this in general terms, but we have with us Mr. Harris, who is director of the division responsible for this and I think you will get more complete information from him.

Mr. F. F. HARRIS (*Director, Health and Welfare Division, Dominion Bureau of Statistics*): Mr. Chairman, the impetus to this survey stemmed from a similar survey which had been conducted in the United States, under the auspices primarily of the International Association of Chiefs of Police. The results in that country proved to be of sufficient interest to our Canadian Association of Chiefs of Police that they specifically requested the bureau to undertake a similar survey and the bureau, as is common in these matters, adopted an attitude of responding rather than initiating the survey on its own account.

We took the survey in collaboration with the Canadian association—that is to say with chiefs of police acting in their own individual affiliations—and we attempted to secure the release of the automobile manufacturers to put out figures which would indicate the actual brands of cars most commonly stolen, as well as the circumstance and conditions under which they were stolen. We were not able to secure this clearance from all the manufacturers, and as a consequence, we could only describe the pattern of automobile thefts in terms of such matters as whether the ignition keys had been left in the car, whether the thefts occur more commonly during daytime or night, in the middle of large cities where the car was stolen, were they fancy “souped up” ones with lots of chrome

or the more nondescript types. This is the kind of information that the police chiefs themselves welcomed and, it was our understanding that they were able to put this information to reasonably good use in order to launch programs in their own communities in several cases and to tool up their own police forces to guard against thefts.

Mr. IRVINE: Mr. Chairman, I have one more item I would like to ask a couple of questions on under vote 1. This is kind of old hat in a sense. It has to do again with the additional number of employees in the department in the higher income brackets. We have under vote 1, the number of employees in the \$12,000 to \$14,000 bracket, an increase from 101 to 139. We have an increase from 19 to 31 in the \$14,000 to \$16,000 bracket, which is quite a sizable increase. In the \$8,000 to \$10,000 bracket there is an increase from 157 to 219. We also have a total increase in manpower in the department of 273, which runs very close to 15 per cent. I am wondering if there is a real good reason for this. Is the output of the average person dropping, or is it because there is so much more work placed upon the department, so many more census reports that they have to make, or what is the reason for the additional number of people, because it is a very sizable increase?

Mr. DUFFETT: Mr. Chairman, the reasons, as you might expect, are several. One of the principal ones is that these salary ranges remain the same from one year to the next so that salary increases made available to civil servants have the effect of adding more people in, let us say, the \$12,000 to \$14,000 range, in 1966-67 than in 1965-66.

In many classes the Civil Service Commission classification of these officials is the same as it was, but salary increases have had the effect of moving them up. There is, however, a need for more people in the professional grades. We have been adding a modest number of people in the higher paid professional grades because of the nature of our work. I mentioned in my remarks that the standards of accuracy and sophistication of statistics have moved up in recent years, because data, which at one time was adequate to describe in a rather elementary way what was happening in the community now have to be a basis for administration. A good illustration I think would be in the field of energy statistics. With the coming of the Energy Board, it became necessary to have more skilled people in the Bureau of Statistics to provide the data that they required for their administrative needs.

The CHAIRMAN: Mr. Irvine, do you have any further questions?

Mr. IRVINE: I am not exactly satisfied on this, because it does seem to me that this 15 per cent is a fantastic increase. If this is to go on 15 per cent per annum for a few more years, we are going to run into a fantastic empire. To me it looks like the building of an empire, whether it is wittingly done or otherwise. However, I would like to ask the Minister, if I may: How long since—he is a man very well known in business circles and is a very astute businessman—we have had an efficiency team or group do a job evaluation of this branch in particular?

Mr. WINTERS: I will ask Mr. Duffett to answer that.

Mr. DUFFETT: Efficiency experts have not looked at the whole of the Bureau of Statistics at any particular time. Requests for additional resources are put

forward to the Civil Service Commission and the Treasury Board and are examined by them. The grades necessary to perform the functions, which I think is the point Mr. Irvine is referring to, are examined by the Civil Service Commission and are assigned in accordance with the difficulty of the job as they measure it.

I would like to make one comment. The Glassco Royal Commission on government organization took a good look at the Bureau of Statistics, as well as other government departments, and their recommendations with regard to the bureau did not indicate any dissatisfaction on these grounds, but recommended rather that the organization should be strengthened, and that the organization should have more senior staff capable of understudying the relatively small number of people who are responsible for particularly important functions. The lack of understudies was something to which the Glassco Commission drew particular attention; the fact that the illness or the retirement of one or two people in critical areas would have a very serious effect on the statistical basis of the organization.

Mr. IRVINE: May I ask the Minister, if on the basis of an increase of something in the neighbourhood of \$2 million in salaries and wages and the increase of close to 15 per cent in the number of employees, he would not think that perhaps it might be a good idea to have a job evaluation program within the department?

Mr. WINTERS: I would say, Mr. Irvine, that these estimates were made up by my predecessor. I had no opportunity to scrutinize these estimates. We will soon be preparing the estimates again for next year and, at that time, you may be sure I will give them a very good going over myself. I know Mr. Duffett and his colleagues would welcome any advice they could get from outside from efficiency people who might be able to examine the operations, particularly on the manpower side; and when we develop the estimates for the next fiscal year, if I come to the conclusion that there is any case to be made for such a review of efficiency or manpower, we will do it.

Mr. IRVINE: I know that these estimates were not prepared by you, but I would still like to know would you be kindly disposed toward such a program?

Mr. WINTERS: Yes.

The CHAIRMAN: Mr. Duffett, are the changes reflected in the estimates with regard to additions of staff and increased salaries consistent, at least in your opinion, with the recommendations of the Glassco Commission?

Mr. DUFFETT: Yes, they are. The Glassco Commission expressed the view that among the professional staff, grades were 1 to 1½ grades lower than their duties justified. There has been some reclassification taken as a result.

The CHAIRMAN: I think I will interrupt for a moment, gentlemen. I believe the Minister has a luncheon meeting and while we ordinarily proceed to 1 o'clock, perhaps we could excuse the Minister and, if the Committee is so inclined, we could continue our discussion and questioning of the Dominion Statistician and his colleagues until 1 o'clock in the Minister's absence.

The next person on my list is Mr. Wahn.

Mr. WAHN: Mr. Chairman, I think all of us recognize the importance and the value of the work performed by the Bureau of Statistics. I suppose there are an infinite number of questions to which human beings require statistical information which might be thought useful by some people. A good example of that is this publication put out by the Dominion Bureau of Statistics which lists a large number of publications and reviews and studies which have been made. For example, I see here that it has done a study on the coffin and casket industry and also on foundation garment shipments. Then, moving from the sublime to the ridiculous, we find there has been work done on vending machine operators; that is, sales and merchandise by vending machine operators through automatic vending machines by product, by location throughout the provinces. As we go through the book, there seems to be every conceivable type of study done.

I would like to ask Mr. Duffett, how in practice he determines what studies will be made, because if an attempt were made to answer an infinite number of questions, the requirements for staff and money would be infinite as well. There must be some limit, as has been pointed out.

Mr. DUFFETT: This is a very important question, and one that statisticians in a variety of countries ask themselves. In September of this year, we are having a conference of the heads of the Commonwealth statistics offices. This is a meeting which occurs about every five years, and one of the topics is statistical priorities and how to approach them.

Quite a variety of considerations underlie a decision to do an additional survey. The most important one is the sorts of decisions that are going to be assisted by having this kind of information. For example, the allocation of funds by senior levels of government to junior levels of government depends to quite an extent on matters which can be measured statistically; the distribution of funds within provinces to universities depends on enrolment. Matters of this kind obviously relate to very large sums of money and here statistical support costs relatively little in relation to the importance of the decision which has to be made.

It is our policy to try and establish this initially whenever we are asked to obtain additional information. In some cases where the information is clearly not needed annually, surveys are taken at longer intervals. An example is a survey which was recently undertaken of the cost of funerals. We were approached by the Funeral Directors Association on a number of occasions to ask whether we do such a thing, whether we would survey their own members and establish what the distribution of cost of funerals was. We declined over a period of about eight years. We suggested to them that they should do this themselves as an association, and the answer was that some members of the association feared that this information might fall into the hands of their competitors and that they would prefer to have it done by an agency such as the Bureau of Statistics which was totally detached and which has the reputation for keeping secrets.

Finally, we decided to do it on these grounds: There was a great deal of interest in the community at large in the rising cost of funerals. There was a feeling that funerals were associated by an unnecessary display of expense. Also the Department of Veterans Affairs was administratively concerned, because

they were responsible for covering the funeral expenses of veterans. After considering the matter carefully, we felt there was sufficient public interest in this and sufficient administrative interest in this to justify doing it. I think this was done after an interval of perhaps seven or eight years from the previous survey.

A number of other considerations enter into this. Sometimes we insist that the trade association or group of manufacturers who ask us for this information, should help us themselves in designing the forms or in getting the information or in explaining to the respondents the importance of what it is that is being done.

One thing that we are giving serious consideration to is charging for our services. Money talks, and if people are prepared to pay for special surveys, then it is a pretty clear indication that these are important. The process of charging for surveys is rather a difficult one though, because who are you going to charge and how much? The person for whom the information is supplied on the first round may be charged the full cost of the survey. Two or three other people come along subsequently and say they would also like to have this information. Shall we charge them the full amount, or shall we charge them a fraction of the full amount? In some cases we actually do. In the case of trade statistics, special surveys are made at cost. I think in the case of some manufacturing surveys, from time to time, we do make a charge, but I think this is a direction in which we should move in order to be sure that what we do can be justified by the test of the market.

Mr. WAHN: Do you usually make the survey in response to a request or do you usually initiate them yourselves?

Mr. DUFFETT: Almost invariably in response to a request. In some cases we can anticipate that there is going to be in the foreseeable future, a need for, let us say, information on illness in hospitals. This is a survey which was undertaken, to some extent, on our own initiative. With hospital insurance, very comprehensive records are kept, the admissions to hospitals and the diagnosis, and as a measure of hospitalized illness. We initiated a tabulation—it was not a very expensive one—for this information for the whole of the country and it is now proving to be very valuable.

Mr. WAHN: I presume many of your surveys are based upon the answers to questionnaires which are sent out. Some people getting these questionnaires find it easier to guess at the answers, rather than to check information very quickly. Inaccurate statistics are worse than no statistics at all, I would think, because they would lead a person astray. Have you any way of checking to make sure that your statistics are not based upon inaccurate questionnaires coming from all over the country, and from all kinds of people. Is there a technique you can employ to guard against the gross errors in statistics?

Mr. DUFFETT: Some degree of inaccuracy is probably inevitable. People forget and do not record every transaction that passes through their organizations. There will, from time to time, be inaccuracies. An attempt is made by a process known as editing, when the returns come back to the bureau, to check this. Comparisons are made with the previous year. Ratios are worked out of, let us say, the cost of labour to total shipments, the cost of raw material to total shipments, and comparisons of this kind are made.

In the case of the census, a certain amount of this editing process was assigned to the computer. Certain ranges of accuracy were set up, which the computer examined and, if these were not adequate, the computer either put in an average figure, which was appropriate to the individual record, or rejected the record altogether and it was examined. In some cases we went back to the original respondent.

Statistics do not need to be absolutely 100 per cent accurate to be useful and this is a consideration which enters into the conduct of sampling surveys. In some cases, it is possible to get information from, let us say, 2 per cent of the population, as in the case of the labour force survey, which is accurate enough to be good for the purposes in hand.

Mr. WAHN: Some businessmen, particularly small businessmen, feel that they have too many governmental forms to answer and some of them come from the Bureau of Statistics and some from other governmental departments, but in any case they do cost each businessman a measurable amount of money to complete and mail in. It also involves time. Is there anyone in your bureau whose job it is to review all the forms that are sent out from time to time by your bureau. Do they ever ask themselves this question: Is this form really necessary? Is there anyone who has the job of eliminating redundant forms and as a related question, someone whose job it is to check the returns that are sent out by other provincial and federal governmental departments to see if there is any overlapping and whether perhaps certain of these forms could be eliminated?

Mr. DUFFETT: There is no one person in the Bureau of Statistics who does this and no one place, and I think it would be probably inappropriate to have it done in a single place, because it needs to be done by people who understand the industry, who understand the use being made of the data, to see whether it is redundant or otherwise.

From time to time we have abandoned surveys because we felt they were insufficiently important. In the sort of world in which we live this is very difficult to do without precipitating widespread complaints from users of the information. But we have done it; a short time ago, for example, we drastically simplified forms sent to fuel dealers, because we felt that coal, which was the subject of this thing, obviously was of much less importance than it had been in the past and that it should be dropped.

The CHAIRMAN: If I could interrupt at this point, it is almost 1 o'clock, our usual time for adjournment. There are others who have questions and were not able to put them this morning. I would like to get the opinion of the Committee on our next meeting. We do have this room reserved for this afternoon. However, I recognize that because we will be adjourning at 6 o'clock, it may be awkward to consider a meeting this afternoon. You may prefer, since it is likely we will be here next week, to reconvene next Tuesday morning. I would invite further comments. Mr. Monteith, do you have a comment?

Mr. MONTEITH: I think it is advisable that we do not sit this afternoon.

The CHAIRMAN: It is now 1 o'clock and I will declare this meeting adjourned to the call of the Chair.

Mr. LAMBERT: I have three or four questions on the CLURA part of it.

The CHAIRMAN: I would be prepared as Chairman to continue the meeting. The clerk has advised me there is a meeting of another Committee at one o'clock and I must say I have made complaints to other Chairmen who have held our Committee up and, I suppose, I have to be consistent.

It is with regret I say we adjourn this Committee to the call of the Chair and unless you hear otherwise, it will be Tuesday morning next at 11 o'clock and at that time we will continue with the Dominion Bureau of Statistics.

TUESDAY, July 5, 1966.

● (11.20 a.m.)

The CHAIRMAN: Gentlemen, we are in a position to begin. I will make no further comment at this point.

We are proceeding with our consideration of vote 1 of the estimates of the Dominion Bureau of Statistics. I believe that at the time we adjourned we were questioning Mr. Duffett and the minister, Mr. Winters.

I would ask you to indicate to me who would like to continue the questioning and who has not been recognized as yet.

We will begin with Mr. Cameron.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Thank you, Mr. Chairman.

Starting on page 4 of the statement you gave us the other day you make reference to the compilation of labour statistics. I would be interested to know by what means you determine—and I presume this is one of the things you are asked to find out—the skills and qualifications of the various categories of the working force? What sort of questions do you ask to determine this, beyond the rather crude method of finding out their educational level? Do you have some means of determining what sort of skills are possessed by the individual who may be now unemployed? I presume this is one of the major fields in which you work?

Mr. WALTER E. DUFFETT (*Dominion Statistician, Dominion Bureau of Statistics*): Mr. Cameron, this is more of a research type question than a statistical question.

It is, as you imply, difficult to establish the nature and degree of skills which people may have, and I think I would be correct in saying that the main responsibility for inquiries of this kind rests in the Department of Labour where the economics and research branch conduct surveys on skills and the methods by which people have achieved them.

In our case, we do obtain some information on the background of the skills, that is, education information obtained through the census, but it is not our practice to become deeply involved in the study of skills.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): At the bottom of the next page there is a reference to what you are speaking of just now, the question of educational statistics.

I have been a little disturbed by what seems to me to be a rather statistical correlation that is made between educational levels and incomes and occupa-

tions. I was quite disturbed by the statement made by the Chairman of the Economic Council, which indicated that, in their view, with a certain level of education a person could expect to be making such-and-such and at another level making such-and-such. It seems to me to be quite misleading. It may very well be creating a false impression of the opportunities for people in our labour force. I would like to hear some comment on that.

Mr. DUFFETT: As far as any individual is concerned, I think that in the competitive process of getting a job and earning a substantial income it is in his own interest to have as good an education as possible, because given a range of potential employees I would assume that employers will select those who have the best education, as an indication of intelligence and so on. From that point of view there is a good deal of validity in what is said.

I would be inclined to agree with you that it is possible to exaggerate, from a national point of view, the importance of education, important as it is. If everyone in this country had one year more education than they have I am not sure that the level of unemployment would be markedly less than it is.

We have participated in surveys, using the labour force survey, to discover the educational attainments of people in the labour force. It is certainly true that among the unemployed, or the partially unemployed, education attainments tend to be lower, and this I would attribute to the preference on the part of employers for people who have a good education.

There is a difference between the point of view of the individual, in whose interest it is very much to be well educated, and the total level of employment or unemployment that might be related to a given level of education.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): This was the point I had in mind, that to set a goal for the elimination of unemployment merely by raising the formal levels of education might be quite misleading. We might merely have educated unemployed instead of uneducated unemployed.

Mr. DUFFETT: I think education will undoubtedly improve our competitive position abroad and enable us to compete more effectively with other countries in the export markets. In this respect there is something in this argument.

Mr. LAMBERT: Mr. Duffett, I am interested primarily in the returns you are making under the CLURA Act, if you want to call it that. I notice that although we are in the year 1966 the only one that we have is for the year 1962. I believe at some stage it was indicated that there some difficulty in getting the thing organized, or, shall we say, there was a necessary delay in getting the whole machinery organized since the Act itself was passed only in 1961, I believe—

Mr. DUFFETT: In 1962.

Mr. LAMBERT: It was enacted in 1962. First of all, when do we anticipate getting the 1963 report and the 1964 report, because I think if we are basing ourselves on 1962, four years later these statistics become practically meaningless except as a historical record. When can we anticipate a speed-up in the production of material?

Mr. DUFFETT: The speed-up is already under way, I am glad to say. It is our hope that in this year we can produce two reports.

The 1963 report is in draft form and it is hoped that we will be able to publish it this summer. Publication involves two steps where some difficulty and

delay may be anticipated. The first is actually getting the English version printed and the other potential delay is obtaining resources to carry out the translation of the English version into French.

● (11.30 a.m.)

The 1964 report is well under way. The first step in preparing our report at this time is to analyze the ownership of the various corporations because this, after all, is one of the main objectives of the act, to identify corporations with regard to whether they are owned or controlled abroad or in Canada. We expect that this will be finished toward the end of July, and it is our hope that we shall achieve the report by the end of the year.

Mr. LAMBERT: Do you anticipate that in the future there may be a similar time lag? When you have everything going well in respect of returns under this Act, what do you anticipate will be the time lag between the reporting, the year on which it is based, and the publishing of your report? Do you anticipate possibly two years?

Mr. DUFFETT: It would be better than that. The experience of the Department of National Revenue, in putting out a rather similar report on corporation statistics, is instructive. The final returns from the corporations ordinarily cannot be expected until about the middle of the following year; that is, the 1965 returns are unlikely to reach us in anything like complete numbers until about the middle of 1966. We can then begin to work on these and I would hope that as a regular matter the 1965 report, for example, might be expected to appear about the middle of 1967.

This, I know, sounds like a long time, but we are not able to start on the report until about six months after the end of the calendar year.

Mr. LAMBERT: On the basis of the first report, do you feel there is meaningful information coming forward under this Act? Is there any particular area in which you feel that there would be statistics, and conclusions which could be drawn, if the Act had other requirements in, or that it would be a better vehicle for the purpose for which it was instituted if there were any amendments?

Mr. DUFFETT: So far as the corporation portion of the Act is concerned, it is really pretty workable.

A few minor improvements might be considered. For example, all corporations in Canada are getting bigger and as a result the act covers more and more corporations. It might be desirable to inquire whether an adequate picture of corporate behaviour, and particularly corporate behaviour by non-Canadian companies, could be achieved by having fewer than the 35,000 companies which are now covered by the Corporations and Labour Unions Returns Act. On the corporation side it has worked out pretty well, though, I think.

On the labour side I think some further consideration is rather important. As was pointed out in the first report, this Act covers only labour unions which have locals; in other words, it covers the parent body and not the locals. It is our impression that for this reason it covers only about 20 per cent of trade union activity in Canada. A great deal of the assets, a great deal of the flow in funds, in the trade union field occurs at the level of the local. In some cases

where you have unitary unions, unions without a local, we do not cover them at all—and they may be quite large unions—because the act is drawn in the way it is.

I also think that there is room for more co-operation between the administration of this Act and the Department of Labour. They are interested in the same sorts of things. They obtain a list of trade unions. We obtain a list of trade unions. I think there are some possibilities for an element of co-operation or consolidation here.

The labour department is already engaged in looking into possible improvements in this portion of the Act. Another characteristic of the—

Mr. LEWIS: Could you give us an example of the unitary unions not covered?

Mr. DUFFETT: The Bell Telephone Company, I think, has an employees association.

Mr. LEWIS: It is no wonder I did not know this before.

Mr. DUFFETT: There is one other characteristic of the report of the legislation which makes it a little difficult to interpret and that is that the reporting units are in many cases the large internationals. They are required to submit their financial statements. These financial statements cover their entire North American operations, a very small part of which are carried on in Canada, and it would be preferable, if the means could be discovered, I think, to have reports on operations in Canada.

Mr. MONTEITH: Is this really the aim, or was really the aim to have the Canadian operations?

Mr. DUFFETT: No, not exactly I think. The aim, as I understand it—and I was not involved in drawing up the original legislation—was to discover all that was possible about the impact on Canada of unions controlled in Canada and controlled in the United States.

It is of some interest to know what funds move between unions in Canada and unions in the United States, but for the most part I would agree with you that it would be helpful to have information on unions operating in Canada.

Mr. LAMBERT: Have you prepared any recommendations to the government with regard to the amendment of this act?

Mr. DUFFETT: No. We have been discussing this matter with the labour department and are considering the very few changes that might be made on the corporation side, but we have not reached the point of positive recommendations.

Mr. LAMBERT: I see.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Duffett, you were speaking of the fact, with regard to the international unions, that the report tends to cover the entire operations on the North American continent. To what body would you apply for your information if you were wanting to find out about the operation, let us say, of the International Woodworkers of America in British Columbia? Where would you apply to get this information?

Mr. DUFFETT: This is exactly the problem. The difficulty is obvious. The solution is not too evident. In some cases groups which were originally affiliated with international unions have increasingly redefined themselves as Canadian unions. The Mine Mill and Smelterworkers, I think, have set up a separate constitution in Canada, which they would argue makes them a Canadian union.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What I had in mind, was this, Mr. Duffett, that in the case of the operations of a largish union in British Columbia—I think it is the largest—the information on the Canadian operations in the province of British Columbia, which some might think across the border in Alberta, would seem to me to be available from the district council of that union whose headquarters are in Vancouver. They would be in a position to supply you with all the information you wanted with regard to their operations and even the specific matter you brought up just now, the question of the flow of funds back and forth across the border. I am wondering why this is not the source to which you apply for your information?

Mr. DUFFETT: The reason is this, that while current expenditures of the group in Canada might be measured, the principal difficulty arises in connection with the balance sheet. The balance sheet of the international unions is a single balance sheet. There is no segregation of the assets which are owned by the Canadian members of the unions from those which are owned by the members at large.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): This may apply, perhaps, to any permanent offices which the international headquarters has in the United States, but I, myself, have seen the balance sheet for the operations of the Canadian section of the IWA which is incidentally the most important part of the union. It is one of the unions where the Canadian section is more important. They have a balance sheet showing their ownership in their property, and the whole business.

Mr. DUFFETT: This is probably what would have to happen, but I have the impression that this is not the case throughout the union movement. For example, very large portfolios of securities are held in some of the trade unions. I think in many cases there has not been segregation, or an allocation, of part of these to the Canadian membership.

Mr. LEWIS: The international balance sheet would not necessarily include many of the holdings by Canadian locals or districts?

Mr. DUFFETT: No, they would not.

Mr. LEWIS: Not only does it not show but it is not included.

Mr. DUFFETT: They would not include the holdings by Canadian locals, but it might include a portfolio of securities held on behalf of all North American members, and this, in most cases, has not been segregated.

The CHAIRMAN: Perhaps the floor could be given back to Mr. Monteith. I appreciated his courtesy in yielding.

Does the Act, as it is drafted, give you the authority to get the information from the locals or to get the information broken down in the way that you have been describing it?

Mr. DUFFETT: No. The Act defines a trade union in such a way as to exclude locals.

The CHAIRMAN: What about regional councils, as referred to by Mr. Cameron. I think it would be useful for the committee to know whether it is an administrative decision, or one which is created by the terms of the Act itself.

Mr. DUFFETT: The Act makes it evident that it is intended to apply only to corporate bodies. The relevant sentence is this one in section 8.

This part applies to every labour union carrying on activities in Canada and having a local union or branch in Canada.

So that it is only unions having locals, which fall under the Act.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then this is precisely the case. The district council of the IWA has a number of locals. I have two of them in my own constituency.

Mr. DUFFETT: Mr. Traquair, the administrator of the Act is here. I might ask him to comment.

Mr. D. A. TRAQUAIR (*Administrator of CLURA*): The Act defines the reporting union and the information that can be required from the union. There is no provision in the Act to collect information other than that which is provided in the Act. Therefore, this is an interpretation of the legislation and not an administrative decision. The Act defines the reporting union as being the whole organization, and we cannot define the information to be for only part of that organization. Therefore, district councils are excluded from the coverage of the Act and there is no provision in the Act to enable us to say that we need more information to provide a complete statistical picture. There is no provision to permit us to go and collect this information.

Mr. LAMBERT: That is an interpretation. I would cite section 2, subsection 1(c) which says that a union or a labour union, means any organization of employees formed for the purpose of regulating relations between employers and employees. Therefore, this being in the interpretive section of the act, it says any organization, and this is the intent of the Act.

Mr. DUFFETT: That is the general definition, not the definition of to whom the act applies.

Mr. LAMBERT: This part applies to any labour union, which is any group of employees carrying on activities as such in Canada.

Mr. DUFFETT: The next clause is the one which poses the difficulty—"and having a local union or branch in Canada."

The CHAIRMAN: What you are suggesting, Mr. Duffett, is if the draftsman of the final version had not included this qualifying phrase, "and having a local union or branch in Canada", it would be easier for you to get the type of information about which Mr. Cameron and others have been asking you?

Mr. DUFFETT: Yes. I think it would nevertheless, be necessary and desirable to define a labour union, to indicate whether a labour union is the parent body or whether a labour union includes the locals.

Mr. MORE (*Regina City*): Mr. Chairman, may I ask Mr. Duffett whether an interpretation from the Department of Justice has been obtained. Listening to

the sections which have been read I would have thought it applied not only to the parent body but also to the locals.

Mr. DUFFETT: A ruling was obtained and this was the interpretation.

Mr. LAMBERT: I would take it that the recommendation should have gone in before now to get this clarification incorporated in the statute. They brought in amendments two years ago which, as far as I was concerned, gutted the act. At that time a parallel amendment could have been brought in to clearly define the type of organized labour group which had to report under this Act.

Mr. DUFFETT: I think it is really a matter for the government to decide how extensive it wishes to make the application of the Act.

Many labour groups objected to the labour portion of the Act as it was. They felt it asked for too much information.

Mr. LAMBERT: The same way that corporations objected to it because, I mean, it is an increased cost. If it is to become meaningful then I think we have got to get as much coverage as possible.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are there many corporations with which you have the same difficulty that you have outlined? Are there United States-owned corporations in Canada from which you cannot get the statistics of their Canadian operation?

Mr. DUFFETT: No. I think the basic reason is that corporations are required to submit financial statements for income tax purposes and this imposes a pattern of reporting which it is possible to take advantage of in this case.

Mr. TRAQUAIR: There is a basic difference between corporation accounting and labour union accounting for this purpose. A corporation may have branches and plants all over the country, but for accounting purposes all of these activities are consolidated into the financial statement of the company.

This is not true of the labour union movement. Each local has a degree of autonomy in handling its own finances, and their accounts are not consolidated into the accounts of the parent body.

Therefore, there is a basic difference in the two accounting systems of the two types of organization.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Surely there must be cases in which, as you say, this consolidation of accounting is centered in the United States?

Mr. TRAQUAIR: In most cases of foreign-owned corporations they are incorporated in Canada as legal entities and, therefore, have their accounting for that legal entity; and this includes all of the branches of that company in Canada. There are a few cases of a United States company operating in Canada, and this is operating what is called a branch, but these companies have to produce Canadian activity accounts for Canadian tax purposes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): These branches?

Mr. TRAQUAIR: These branches; which are part of the whole organization. But in most cases they are incorporated in Canada; in a high percentage of cases they are.

Mr. WAHN: Mr. Chairman, in the light of these questions, is it the policy of the bureau to report difficulties which it encounters, such as those discussed this morning, to the government, or to the responsible minister so that he is aware of the problem. I think a number of members here were not aware of your problem with regard to reporting by trade unions, for example, until just now. Perhaps if the Minister were aware some action can be taken.

Mr. DUFFETT: I am not sure that the new minister is aware of it, but the previous minister, Mr. Sharp, and Mr. Hees were aware of this. In fact this situation is described quite fully in the first annual report.

Mr. WAHN: Has any attempt ever been made, Mr. Chairman, to write to the type of organization such as Mr. Cameron referred to—the provincial organization—for information which might be supplied voluntarily and which might assist you, or is this considered beyond your purview?

Mr. DUFFETT: We have had quite a series of discussions with the large international unions about the reporting problem, and we have indicated to them that if, in any way, they feel they could submit additional information which would clarify their operations for the purposes of this Act, we would be glad to receive it and endeavour to make use of it in analyzing their operations. A number of unions have done this. About half of the internationals have done this.

Mr. LAMBERT: My question arises out of something Mr. Duffett said about Mr. Hees, and Mr. Sharp having been aware of some of these difficulties and Mr. Sharp had been aware of these difficulties. If Mr. Sharp brought in amendments to the Act—in 1964, I believe—and he did not include any clarifying clause then obviously either it was brushed aside or it was still too inchoate and unclear where the difficulties were.

Mr. DUFFETT: I think when Mr. Sharp introduced his amendment in 1964, he explained that the intention of the amendment was not to overhaul the philosophy of the act but to inject a relatively small change which would eliminate duplicate reporting as between the Corporations and Labour Unions Returns Act and the Department of National Revenue.

Mr. MONTEITH: I have a last question, Mr. Chairman. I recall at the time the Hospital Insurance Act was introduced into Canada there was some question about who should do the statistical work in connection with this Hospital Insurance Act and I seem to recall a conflict of opinion between the Bureau of Statistics and the statistical branch of the Department of Health and Welfare. This is perhaps ancient history now but I am interested in knowing how this was ironed out eventually.

Mr. DUFFETT: There was a degree of duplication and there still is a degree of duplication. The Department of National Health and Welfare felt they had to receive individual forms directly from the hospitals for their administrative needs, and we, of course, required forms for our statistical requirements.

An arrangement was arrived at by which there would be a co-operative scheme of corresponding with the provinces on these forms. Corrections are involved in a very high proportion of forms of this complexity and there had to be correspondence with the hospitals, and we felt that this should be consolidated, and substantially it was.

However, there was still some uncertainty about our jurisdiction on this particular point. I might say that in our relations with the Department of National Health and Welfare this is the only area where there is any uncertainty regarding jurisdiction. In other areas the jurisdiction is clear. It is accepted and work proceeds harmoniously.

The Royal Commission on Government Organization, the Glassco Commission, was aware of this jurisdictional problem and suggested that the Treasury Board would be the appropriate agency to look into this and to achieve an allocation of responsibility.

It made the same observations with respect to air traffic statistics. In the case of air traffic statistics, this has been completely resolved. It has been resolved by the development within the Department of Transport of what we would describe as a satellite of the Bureau of Statistics. This satellite services the Department of Transport but comes under our supervision.

In the case of the Department of National Health and Welfare an investigation was initiated by the Treasury Board a short time ago and is still under way, but I think this will be resolved in the very near future. The Treasury Board, which I feel is the appropriate agency to make this decision, will make a decision on how the statistical task should be shared.

Mr. MONTEITH: I have one other question which is not related at all, Mr. Chairman. This has come to me only by hearsay and I am not in a position to say whether it is true or not, but apparently in one area where the last census was taken two canvassers appeared. The original canvasser was collecting information. The other was asked why he or she was present and the answer was that he or she was present to see how much time the original canvasser took to do the job. It seems rather ridiculous. There were never officially any instances of two canvassers actually going out together, were there?

Mr. DUFFETT: No, not simultaneously. Which census was this—1961 or 1966?

Mr. MONTEITH: 1966?

Mr. DUFFETT: This may well have been part of the study of the cost of census-taking.

Mr. Ralston from the Census Division is here and might comment on whether this could have happened.

Mr. D. L. RALSTON (*Assistant Director, Census of Population Branch*): Judging by the statement, it does sound like the time study which is being made in connection with the 1966 census. We are sending around observers with the census enumerators to time them on the length of time it takes to do the interview and go from house to house and things like that, so that we can come up with better bases for rates of payment. I think this is what it is. There is only one enumerator canvassing each area, but in certain sample areas we do have a timer going around with them.

Mr. MONTEITH: This is in certain census areas?

Mr. RALSTON: A very small number, yes; a small sample of them.

Mr. MONTEITH: Taking a poll?

Mr. RALSTON: Yes; that is the answer.

Mr. DUFFETT: If I might just add one word. In paying census enumerators we want to be fair, but we do not want to pay more than is necessary for them to do the job. It is desirable that we have some idea what the time is.

The CHAIRMAN: Do we have further questions on this first round of questioning on vote 1?

Mr. FLEMMING: I have a question on another subject.

In the preparation of information relative to importations and information which might be required by business contemplating the establishment of industry in the country, do you have, or are you able to give them, information which you have readily available, or do you have to go to the Department of Trade and Commerce and secure such information? Do you furnish that type of service to a business which is investigating the establishment of a new industry and wants to know something about importations?

Mr. DUFFETT: The trade statistics are collected, in the first instance, by the Department of National Revenue. Each individual trade document, recording an import or an export, comes to us and is tabulated in the Bureau of Statistics. We are in a position to help business firms, as you indicated, within the resources at our disposal, and bearing in mind that we must not disclose confidential information to business firms. But special studies are made within the limits of the resources at our disposal and in many cases these are made at a modest charge to cover the extra cost.

Mr. LEWIS: Did you recently issue a publication indicating how a businessman might use your statistics. I have a copy.

The CHAIRMAN: I invited Mr. Duffett to make up packets of background material to distribute to the members preparatory to our study.

● (12.00 noon)

Mr. MONTEITH: Was this done in the 1961 census? In other words, I think you asked something like 21 questions in the 1961 census. How many are there this year?

Mr. DUFFETT: Five this year.

Mr. MONTEITH: Any information you glean from this time study will not really be of any value in the 1971 census?

Mr. RALSTON: It is quite true that the number of questions will change from census to census, but, relatively speaking, we have no idea now how much time the enumerators spend going from house to house compared with the time it takes for the householder to answer the questions.

Even though the number of questions may change we can test to determine this through a trial census and so on; but under actual conditions—finding people at home and so on—we feel much more time is spent by the enumerators not contacting the householders and having to call back, and things like that. If we have a person with the enumerator during the course of the enumeration we get a much better picture of how he spends his time, and how much time is taken in answering questions. If we add five, ten or fifteen questions we can gauge pretty well how much more time it is going to take to conduct the interview.

Mr. MONTEITH: You are really trying to conduct a study on the basis of portal-to-portal reports?

Mr. RALSTON: Yes; they spend more time contacting the householder, actually, and getting established with the householder, and getting down to the questions.

Mr. MONTEITH: You are really trying to determine a proper pay basis?

Mr. RALSTON: This is it. It is a pay basis that we are seeking.

The CHAIRMAN: Excuse me; I just want to make sure that Mr. Flemming had completed his questioning.

Mr. FLEMMING: I have a brief supplementary question, and that is that I presume the information which is referred to in this booklet will give me, probably in detail, the answers to questions which I had in mind?

Mr. DUFFETT: I am not sure that it says very much about trade statistics. This relates primarily, I think, to manufacturing statistics.

Mr. FLEMMING: My question would be this: Under certain commodity headings would you have information in case you were called upon for it? A matter of modest cost does not make much difference but my question is—

Mr. DUFFETT: They are classified by country of origin and by commodity, in very considerable detail. These tend generally to be available and are rearranged to suit the needs of people who come to us for information.

Mr. WAHN: Have any of the provincial governments established statistical organizations?

Mr. DUFFETT: Many of the provinces have. The most highly organized statistical organization is in the province of Quebec where the Quebec Bureau of Statistics has been in existence for many years.

The province of Ontario has, within the last couple of years, established a formal statistical office.

Other provinces have statistical agencies of lesser formality.

We work very closely with them and give them what help we can in their organization and in sharing the burden of statistics collection.

For example, in the case of the province of Quebec, we both felt that it would be very unwise and not in our interests to duplicate the queries directed to business firms, and, therefore, in the case of manufacturing, mining and forestry the same form is used. Two copies are sent out from the Dominion Bureau of Statistics, and respondents are invited, if they so desire, to send a duplicate form to the Quebec Bureau of Statistics.

Mr. WAHN: The purpose of my question was really to find out if any additional expense was involved through duplication of effort by these organizations, and, if so, whether there was some continuing procedure established by which to find out what they were doing and to avoid duplication.

Mr. DUFFETT: We have for many years had conferences with the provinces on economic statistics and conferences on other types of statistics, usually at something approaching intervals of one to one and a half years. In recent years

a good deal of the time of these meetings has been devoted to co-operative arrangements of one kind or another.

The arrangement I described with the province of Quebec is the most highly developed one, but there are similar arrangements with the province of Ontario, the provinces of British Columbia and Manitoba, and with, I think, to some degree, other provinces.

Mr. WAHN: Is it actually carried out? Would you say there is much duplication of effort and are business people required to complete duplicate forms to any great extent?

Mr. DUFFETT: Very little; there may be from time to time, where a new department, or a department of a provincial government which is not in contact with the statistician, decides that it needs certain information and carries out a survey. But if it is known to us, or to the statisticians in the province, that something like this is contemplated an effort is made to achieve it through some co-operative arrangement.

Mr. WAHN: Do you have in your department any particular person who keeps an eye on this sort of thing, with a view to avoiding duplication?

Mr. DUFFETT: One of the assistant dominion statisticians has, as his responsibility, to look after this matter. We have a group of people—I think about five or six—whose duty it is to concern themselves with local area statistics, and this includes, as a very important part, the requirements of the provinces.

The CHAIRMAN: If there are no further questions on this first round—and I do not see people signifying questions on the second round—I would ask if the committee is prepared to carry item 1, administration and operation?

Item agreed to.

Items 5 and 10 agreed to.

The CHAIRMAN: Gentlemen we appear to have completed our study of the estimates of the Dominion Bureau of Statistics.

I would like to thank Mr. Duffett and his associates for appearing before us and for presenting this very interesting and useful information on the work of their department.

I just want to ask you a question which is completely unofficial. Perhaps when we resume in the fall if a group of us were interested, in visiting the bureau and seeing at first hand how you operate, would this be possible?

Mr. DUFFETT: We would be delighted to have you. The statistical office is not visually very exciting.

The CHAIRMAN: I realize that.

Mr. DUFFETT: However, the computer is interesting to watch and puzzle about.

I think there is some advantage to visiting the organization and meeting more of the people involved, and you may well find that there are particular aspects of our operation which you perhaps had not been aware of and which you would like to know more about.

The CHAIRMAN: Thank you. Mr. Duffett, you and your associates are excused at this point.

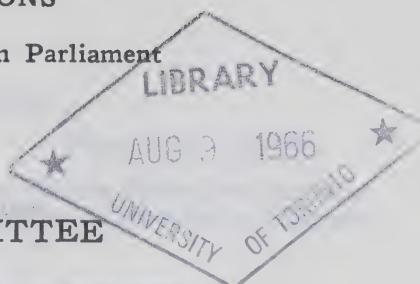
The next item before us, gentlemen, is the discussion of our report to the House. This is traditionally done in camera, and I would ask all those not members of the committee to retire.

The committee sat *in camera* (see Minutes of Proceedings).

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966



STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

THURSDAY, JULY 7, 1966

Respecting

Bill S-13,

An Act respecting Canada Health and Accident Assurance Corporation.

WITNESSES:

Messrs. R. Humphrys, Superintendent of Insurance; Allan C. Rose, Parliamentary Agent; Mark N. Tenny, President, Canada Health and Accident Assurance Corporation.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,
Basford,
Cameron (*Nanaimo-
Cowichan-The Islands*),
Cashin,
Chrétien,
Clermont
Coates

Comtois,
Flemming,
Grégoire,
Hees,
Irvine,
Lambert,
Lamontagne,
Leboe,

Lewis,
Macdonald (*Rosedale*),
McLean (*Charlotte*),
Monteith,
More (*Regina City*),
Munro,
Valade,
Wahn—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, July 5, 1966.

Ordered,—That Bill S-13, An Act respecting Canada Health and Accident Assurance Corporation, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, July 7, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

ELEVENTH REPORT

Your Committee has considered Bill S-13, An Act respecting Canada Health and Accident Assurance Corporation, and has agreed to report it without amendment.

Respectfully submitted,

HERB GRAY,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, July 7, 1966.

(21)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.30 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Andras, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cashin, Comtois, Flemming, Gray, Irvine, Laflamme, Lambert, Lewis, Monteith, More (*Regina City*)—(13).

In attendance: Messrs. Cameron, M.P. (*High Park*), Sponsor of Bill S-13; Allan C. Rose, Parliamentary Agent; Mark N. Tenms, President, Canada Health and Accident Assurance Corporation; R. Humphrys, Superintendent of Insurance.

The Committee proceeded to consideration of Bill S-13, An Act respecting Canada Health and Accident Assurance Corporation.

On the preamble

In the absence of the Sponsor, Mr. Cameron (*High Park*), who was unavoidably delayed at another Committee, the Chairman introduced the Parliamentary Agent, Mr. Rose, and the witness, Mr. Tenms.

Messrs. Rose and Humphrys made brief statements explaining the purpose of the Bill.

Messrs. Rose, Humphrys and Tenms were questioned, and the Preamble was carried.

Clauses 1 to 5 inclusive, the Title and the Bill were severally carried.

Ordered,—That the Chairman report the Bill without amendment.

At 11.55 a.m. the Committee adjourned to the call of the Chair.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

THURSDAY, July 7, 1968.

The CHAIRMAN: I would like to call this meeting to order. Our agenda this morning is to deal with Bill No. S-13, an act respecting Canada Health and Accident Assurance Corporation. I am going to call the preamble and when I do so I will ask the parliamentary agent and whoever he has as witnesses to make any statements they wish. I am then going to call upon the superintendent of Insurance for any comments and then the meeting will be open for questioning and general discussion.

I might say that this bill is sponsored by Pat Cameron, the distinguished member for High Park. I understand he is occupied with the Justice Committee. He is in effect introducing the parliamentary agent and so on in the usual way.

I will now call the preamble and ask the parliamentary agent to introduce himself and whatever witnesses he has with him, and then to proceed with any statements which they have and they want us to consider.

On the preamble.

Mr. ALLAN C. ROSE (*Parliamentary Agent*): The witness is Mr. Mark N. Tenny, the president of the Corporation.

Mr. Chairman, hon. members and Mr. Superintendent, the purpose of the bill is to add a further class of insurance to an already existing corporation which received its act of Parliament in 1945. By reason of this act of Parliament Canada Health and Accident Assurance Corporation was originally incorporated in 1945. For the past 20 years it has successfully entered into the business of accident and health insurance in the provinces of the country and presently has a premium insurance of more than \$6 million annually.

The purposes of clauses 1 and 2 are to give the corporation a French name, and clauses 3, 4 and 5, at the request of the Department of Insurance, are to increase its capitalization from \$500,000 to \$2 million and also to empower the corporation to write life insurance.

In the last 20 years the company has enjoyed an increase in its staff from some four to nearly 100 in its administration, and has some 70,000 policyholders throughout the country. I might also say that the corporation has increased its premium income in the province of Quebec considerably and now writes over \$700,000 in the province of Quebec alone.

I might say that the business of the corporation is administered by a board of directors who are all not only Canadian residents, but in fact are Canadian citizens. To the best of my knowledge, the shareholders of the corporation are also not only Canadian residents but are Canadian citizens.

The corporation feels that by reason of its past history, progress and development it has indicated its ability to successfully enter into the field of life

insurance. I might point out that we are not attempting to form a new company, but are merely adding an additional class.

I shall conclude by pointing out as well that the corporation has successfully competed with foreign, that is, United States and English, insurance companies in the accident and health field for more than 20 years, and today is happy to enjoy the reputation of being the largest Canadian company in the health and accident field.

It is respectfully submitted that this Canadian company will introduce further Canadian capital and qualified personnel and enter into a healthy competition serving the needs of all Canadians in the field of life insurance. I have no further remarks.

The CHAIRMAN: Thank you, Mr. Rose. Do you wish to add anything, Mr. Tenns?

Mr. MARK N. TENNS (*President, Canada Health and Accident Assurance Corporation*): I believe Mr. Rose has set out our case quite clearly.

The CHAIRMAN: Mr. Humphrys, has this application met the requirements of your department?

Mr. R. HUMPHRYS (*Superintendent of Insurance*): Yes, Mr. Chairman. As Mr. Rose has said, this company now has power to transact personal accident and sickness insurance which is wholly consistent with the practice of other insurance companies. The company's present capital is \$500,000 which is not enough to support the volume of business they are writing. Consequently, we believe that an increase in the capitalization is necessary to enable them to enter into the life insurance field.

At the present time the company does not have a French name and normally there is provision in the general act whereby a French name can be granted by order in council. However, since an amendment was necessary to change the capital, the opportunity was taken to propose a French name for the company.

The CHAIRMAN: Thank you, Mr. Humphrys. We are now open for discussion and questions. First I will recognize Mr. Monteith.

Mr. MONTEITH: Mr. Chairman, I wonder whether I might ask Mr. Humphrys or Mr. Rose where the head office of the company is located?

Mr. TENNS: The head office is in Waterloo.

Mr. MONTEITH: I seem to recall this company having some difficulties earlier in its history.

Mr. HUMPHRYS: There were some problems years ago, most of which arose from non-cancelled contracts. However, those problems have been solved and, so far as the department is concerned, we are satisfied that the reserves of the company are adequate for its business.

Mr. MONTEITH: Was there also a problem affecting the head office?

Mr. HUMPHRYS: Yes. There was a dispute between the then president of the company and the department concerning the propriety of real estate action involving the company's head office, and this eventually led to the publication and exchange of correspondence with respect to the report of the superintendent. However, that problem is now in the past.

The CHAIRMAN: You said the then president; in other words, you are not referring to this gentleman who is with us today?

Mr. HUMPHRYS: No. I was going to add for the information of the Committee that this company has recently changed control. For many years the principal shareholder was Mr. Earl Putman, a resident of Waterloo. Quite recently Mr. Putman sold his controlling interest to Mr. Tenns, so that the control and ownership of the company have changed within the last year.

The CHAIRMAN: So that the difficulties to which you referred took place under the previous management?

Mr. HUMPHRYS: Yes, under the previous management, and they occurred many years ago. Even at that time the difficulties which then existed had been resolved. Consequently, even before the change of control there were no longer any matters of difficulty or dispute outstanding between the company and the Department.

Mr. MONTEITH: As far as you are concerned, you are presently content with this bill?

Mr. HUMPHRYS: Yes.

Mr. LAMBERT: I am interested in the proportion of capital which will be sought from the directors or controlling shareholders in its extension of capital from \$500,000 to \$2 million?

Mr. TENNS: The company intends to raise a minimum of \$1 million to enable it to write life insurance. The exact method of raising this capital has not yet been finalized.

Mr. LAMBERT: Will the normal course be followed, namely that the shareholders will be given the first opportunity to buy shares?

Mr. TENNS: Yes.

Mr. LAMBERT: There is no utilization of reserve funds or other corporate funds of related companies—

Mr. TENNS: No, sir.

Mr. LAMBERT: —which will be funnelled into the new capital?

Mr. TENNS: No, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I would like to ask Mr. Humphrys some questions which arise out of a situation that has given me some concern, namely the number of life insurance companies which have been incorporated. We have on the order paper right now ten of them. I would assume, Mr. Humphrys, that there is a limit to the amount of savings which are devoted to a person's life insurance policies. I do not know whether you are able or whether you care to answer this question. The life insurance companies tend toward cheaper premiums for the policy holders. Does this type of competition, if you like, actually result in savings for the policyholders? I notice that this company has 100 on the staff to serve 70,000 policyholders?

Mr. TENNS: That is right.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): The 100 staff does not include every agent?

Mr. ROSE: No. I might add to my earlier remarks that there are about 100 administrative staff. There are some 300 employed on the sales staff to service the requirements of the 70,000 policyholders.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Therefore, you have 400 people engaged in serving 70,000 policyholders. It occurs to me that the more life insurance companies we have the greater is the ratio between administrative and sales costs to the insurance written. I was wondering whether this has given you any concern; that is, the fact that we seem to be incorporating life insurance company after life insurance company. Does this really result in any benefit to the Canadian policyholders?

Mr. HUMPHRYS: Mr. Cameron, I will do my best to answer your questions. I would say first that there are quite an unusual number of private bills having to do with insurance companies before Parliament at this session, but not all of them are related to life insurance.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I notice that ten are somewhat related by the type of the bills which are on the order paper.

The CHAIRMAN: Do you mean, Mr. Humphrys, that these bills are all setting up new companies?

Mr. HUMPHRYS: No. I do not have the list to which Mr. Cameron is referring. Might I borrow it?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes, certainly.

Mr. HUMPHRYS: The first life insurance company on the order paper is the Aetna Casualty Company of Canada. This is an existing company and this bill is to convert it from provincial incorporation to federal incorporation. The next one is The North West Life Assurance Company of Canada. This is also an existing company, incorporated in British Columbia, and the purpose of this bill is to change it from provincial incorporation to federal incorporation. The next one is the Excelsior Life Insurance Company, which is an Ontario company and the purpose there is also to convert the company from provincial incorporation to federal incorporation.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): All of these companies are now doing life insurance business, is that right?

Mr. HUMPHRYS: Yes. The next one on the list is the Anniversary Life Insurance Company. This is a new company connected with Physicians Services Incorporated. The Laurier Life Insurance Company is an existing provincial company and the purpose of the bill is to convert it to a federal company. The United Investment Life Assurance Company is a new company. Therefore, there are two new life insurance companies, namely the Anniversary Life Insurance Company and the United Investment Life Assurance Company, which will be granting life policies.

The CHAIRMAN: I believe the earlier bills dealt with change of names?

Mr. HUMPHRYS: Yes. With respect to the general question of whether it is a good thing to have more companies, I do not think that I can make a categorical

answer. We in the Department have felt for some time that there are a lot of companies in Canada for the market which is available, and I do not think I can really say that there is a need for more.

On the other hand, we in the Department feel that we cannot reasonably take a stand or make a recommendation that no new companies should be permitted. From the point of view of the policyholders, I believe these companies coming into the field must be in a position to offer to the policyholders premium rates and services which will compete with those offered by the established companies, and the vigor of the competition is such, I think, as to make all companies conscious of this. Therefore, if a new company wishes to enter into this field it must do so in the knowledge that it is faced with some very severe and vigorous competition on the part of the well established and efficiently operated companies. This being so, we in the Department have not felt that we would be justified in recommending to the government that no new company should be formed.

We have in mind also, the fact that many companies operating in the life insurance business in Canada are non-resident, that is companies from the United States, from England and from Europe. If we were to stop the formation of new Canadian companies we would have to stop the entry of new companies from abroad which would probably result in reciprocal action against Canadian companies, many of which do a very substantial business outside of Canada. Canadian life insurance companies have for many years been regarded as the very highest class in this field.

The third point would be that companies can be incorporated provincially as well as federally and we would not be able to control the number of companies by taking federal action alone. I believe there are many advantages to having federal incorporation for a company that wishes to do business all across the country in the provinces. I believe it is generally recognized that the facilities available on a federal basis for supervising companies are more complete and adequate than those available in the provinces, principally because it is difficult to get people with the technical qualifications which are necessary to effect adequate supervision in this field. Therefore, I think it would be a disservice to the public to block federal incorporation. The provinces themselves recognize the difficulty in obtaining adequate supervisory staff. Have I answered your questions, Mr. Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): More or less, yes. My point was not that you should prevent new companies from forming. My concern is on a wider scale. Is this the most effective way in which we can secure insurance for the Canadian people against old age, insurance presumably against the death of the breadwinner? Are we not faced with this problem? The position which you take is a logical one, and I agree that Canadians have the right to engage in this business. Is this method a self-defeating sort of thing if we do not look at it very carefully?

The CHAIRMAN: Mr. Cameron, I am going to permit Mr. Humphrys to answer your question, but I would suggest that we are getting into a very wide area of general policy, and one which the Committee may feel they should reserve for a later meeting. As I say, I will permit Mr. Humphrys to answer

your question, but I suggest that you try to restrict yourself more closely to the principle of this bill.

Mr. HUMPHRYS: I am not sure whether it was a kindness to permit me to answer. I would like to try to explore the full scope of Mr. Cameron's question, but perhaps I may answer it in part by saying that for many years life insurance has been operated on an individual company basis, and on the basis of individual application and choice by the policyholder or the applicant. I believe it has served a very good purpose as part of the savings and security program of a great many individuals. Therefore, I do feel that it has been very worth while, and it has been a very valuable part of our social and financial structure.

I feel, Mr. Chairman, that even with the increase in programs dealing with certain aspects of social security on a governmental basis, there is still an area where individuals may wish to make additional provision for their own circumstances or their own dependants or their own needs. So that it seems to me that there is still a field for individual choice and individual corporation in some areas of the social security field.

The CHAIRMAN: Are there any further questions on the preamble at this point?

Mr. MORE (*Regina City*): I presume the interests of policyholders will be fully protected by the requirements of the act which this company will be subject to?

Mr. HUMPHRYS: Yes, the company will be subject to the same supervision as other Canadian life insurance companies.

The CHAIRMAN: I may say that the sponsor of this bill, Mr. Pat Cameron, has been in attendance for some time. He was occupied with an important matter in the Justice Committee.

Preamble agreed to.

Clause 1 to 5, inclusive, agreed to.

Title agreed to.

The CHAIRMAN: Shall the bill carry?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Shall I report the bill without amendment?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Gentlemen, we have completed our discussion. This meeting will stand adjourned to the call of the Chair.

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations
and/or a translation into English of the French.

Copies and complete sets are available to the
public by subscription to the Queen's Printer.
Cost varies according to Committees.

LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY



PROCEEDINGS

No. 15

THURSDAY, OCTOBER 13, 1966

Respecting

Estimates of the Department of Trade and Commerce,

1966-67

INCLUDING FOURTEENTH REPORT TO THE HOUSE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Andras,	Comtois,	Lewis,
Basford,	Flemming,	Macdonald (<i>Rosedale</i>),
Cameron (<i>Nanaimo-</i>	² Fulton,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Irvine,	Monteith,
Cashin,	Lambert,	More (<i>Regina City</i>),
Chrétien,	Lamontagne,	Munro,
Clermont,	¹ Langlois (<i>Mégantic</i>),	Valade,
Coates,	Leboe,	Wahn—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

¹ Replaced Mr. Grégoire on September 9.

² Replaced Mr. Hees on October 12.

ORDERS OF REFERENCE

FRIDAY, September 9, 1966.

Ordered,—That the name of Mr. Langlois (*Mégantic*) be substituted for that of Mr. Grégoire on the Standing Committee on Finance, Trade and Economic Affairs.

WEDNESDAY, October 12, 1966.

Ordered,—That the name of Mr. Fulton be substituted for that of Mr. Hees on the Standing Committee on Finance, Trade and Economic Affairs.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House of Commons.

REPORT TO THE HOUSE

OCTOBER 25, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

FOURTEENTH REPORT

In accordance with its Order of Reference of March 22, 1966, your Committee has considered the items listed in the Main Estimates for 1966-67 relating to the Department of Trade and Commerce.

Your Committee has held nine meetings from May 17 to July 5, 1966, and has heard the following witnesses: The Honourable Robert H. Winters, Minister of Trade and Commerce; Mr. J. C. Cantin, Parliamentary Secretary to the Minister; Messrs. J. H. Warren, Deputy Minister; T. R. G. Fletcher and Dennis Harvey, Assistant Deputy Ministers; L. J. Rodger, Comptroller-Secretary; R. E. Latimer, Director, Office of Trade Relations; V. J. Macklin, Director, Economics Branch; Dan Wallace, Director, Canadian Government Travel Bureau; R. W. McLean, Director, and G. E. Anderson, Assistant Director, Standards Branch, all of the Department of Trade and Commerce.

Your Committee has noted with concern Canada's imbalance on current external transactions and the strong likelihood from the evidence given that not only will this imbalance not diminish in the near future but that the deficit may further increase. Your Committee therefore recommends that government and industry make every effort to stimulate exports and to bring about a lesser reliance on imports through the development of the Canadian economy.

Your Committee has noted with approval a continuing high level of activity by Canada's trade commissioner service to stimulate external trade and commends the plans of the department to continue an aggressive programme of export promotion.

On May 31, 1966, in accordance with its Order of Reference of May 26, 1966, your Committee travelled to Montreal for the purpose of visiting the site and examining officials of Expo 67, and heard as its chief witnesses the following officials of the Canadian Corporation for the 1967 World Exhibition: R. F. Shaw, Deputy Commissioner and Vice-President; A. G. Kniewasser, General Manager; J. C. Delorme, Secretary and General Counsel; Yves Jasmin, Public Relations; G. F. G. Hughes, Business Development Bureau; P. de Gaspé Beaubien, Director of Operations; G. D. Rediker, Director, Finance and Administration; E. Fiset, Chief Architect; R. Letendre, Exhibitors' Department; B. Bowen, Installations Department; and T. Wood, Creative Director, Canadian Government Pavilion.

Your Committee, from the evidence given at the time of its visit, was impressed with the general efficiency of administration of Expo 67; at the same

time, it recommends that the government should be prepared to give additional financial support where it is demonstrated that such support is necessary to ensure the success of Expo 67.

On June 30 and July 5, 1966, your Committee studied the estimates of the Dominion Bureau of Statistics and heard as witnesses Messrs. Walter E. Duffett, Dominion Statistician; H. L. Allen, Assistant Dominion Statistician (Administration); D. L. Ralston, Census Division; V. R. Berlinguette, Director, Industry Division; F. F. Harris, Director, Health and Welfare Division; and D. A. Traquair, Administrator, Corporations and Labour Unions Returns Act.

In connection with the latter Act, your Committee noted certain statutory difficulties being encountered in obtaining the type of information required from labour unions. Your Committee recommends that an appropriate amendment to the Act be introduced in order to permit the Bureau to obtain the required returns from locals or branches of the labour unions as well as from the parent bodies.

Your Committee commends to the House for its approval the Main Estimates, 1966-67, of the Department of Trade and Commerce (including Canadian Government Participation in the 1967 World Exhibition), and those of the Dominion Bureau of Statistics.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues Nos. 6 to 11 inclusive and Nos. 13 and 15*) is appended.

Respectfully submitted,

HERB GRAY,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, October 13, 1966.

(22)

The Standing Committee on Finance, Trade and Economic Affairs met *in camera* at 11.15 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Clermont, Comtois, Flemming, Fulton, Gray, Irvine, Lambert, Leboe, McLean (*Charlotte*), Valade, Wahn.—12.

The Chairman presented the third report of the Sub-Committee on Agenda and Procedure, dated October 6, 1966, which is as follows:

“Your Sub-Committee on Agenda and Procedure met at 1.00 p.m. this day and has agreed to recommend that:

- (a) The Committee meet *in camera* on Thursday October 13th, to prepare the Report to the House on the Estimates of the Department of Trade and Commerce;
- (b) The Committee meet on Tuesday, October 18th, to commence study of Bill S-16, An Act to incorporate Bank of British Columbia;
- (c) Study of the banking legislation commence with Bill C-190, An Act to amend the Bank of Canada Act, on Tuesday, October 25th, with a briefing by the Governor of the Bank of Canada, if he is available on that date;
- (d) Authority be sought to sit while the House is sitting during study of Bills S-16, C-190, C-222 and C-223.

Although the Bank Act has not yet been referred to the Committee, your Sub-Committee gave some preliminary consideration to procedure during study of this legislation. It was recommended that 12:00 noon, Tuesday, November 1, 1966, be the cut-off date for receipt of briefs from the public on the banking legislation and the Sub-Committee authorized the Chairman to issue a press release to this effect.”

After discussion, the report was *approved* on motion of Mr. Lambert, seconded by Mr. Clermont.

The Chairman then presented the fourth report of the Sub-Committee on Agenda and Procedure, dated October 13, 1966, which is as follows:

“Your Sub-Committee on Agenda and Procedure met at 10.30 a.m. this day and has agreed to recommend that:

- (a) Organizations or individuals wishing to present briefs in person be required to provide 50 copies in English or French for use of the Committee not later than 12:00 noon, November 1, 1966;
- (b) Briefs should be sent to: Miss Dorothy F. Ballantine, Clerk of the Standing Committee on Finance, Trade and Economic Affairs, House of Commons, Ottawa, Ontario;

- (c) In order to give members the opportunity of prior study, briefs will be distributed in advance of the appearance of the witness;
- (d) At the meeting the witness be asked to summarize his brief rather than read it in full before the Committee proceeds to questioning;
- (e) Briefs shall be regarded as confidential until presented before the Committee; the Clerk, when distributing briefs to the members, will append an instruction stating that the briefs are not to be disclosed to the press or any other medium of communication until presented to the Committee;
- (f) The Committee reserves the right to decide whether an organization or individual submitting a brief will be invited to appear or whether his brief will be considered by the Committee simply in written form;
- (g) Each brief shall be printed as an appendix to the Minutes of Proceedings and Evidence of the day on which it is presented;
- (h) The Committee shall cause to be printed 1500 copies in English and 700 copies in French of the Minutes of Proceedings and Evidence relating to Bills C-190, C-222 and C-223;
- (i) The Committee should request authority to engage the services of counsel, accountants and such other clerical and technical personnel as may be deemed necessary;
- (j) The Committee will proceed in three stages:
 - (i) explanation and clarification of the legislation by government officials;
 - (ii) submissions by associations and individual members of the public who have indicated they intend to submit briefs;
 - (iii) detailed examination of the legislation by the Committee and general debate;
- (k) A copy of the foregoing resolutions of the Committee shall be sent to each witness at the time that he indicates his desire to appear before the Committee.

On motion of Mr. Irvine, seconded by Mr. Clermont, the report was approved.

The Committee then proceeded to consideration of a draft report to the House pertaining to the Estimates of the Department of Trade and Commerce. After discussion and some amendments the report was approved, as amended, on motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Leboe. (See page 662 and 663).

At 12.05 p.m. the Committee adjourned until Tuesday, October 18, 1966, at 11.00 a.m.

Dorothy F. Ballantine,
Clerk of the Committee.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

PERIODICALS READING ROOM
(Humanities and Social Sciences)

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

TUESDAY, OCTOBER 18, 1966

WEDNESDAY, OCTOBER 19, 1966

Respecting

Bill S-16,

An Act to incorporate Bank of British Columbia

★ WITNESSES:

C. F. Elderkin, Inspector General of Banks; W. G. Burke-Robertson, Parliamentary Agent; H. B. Elworthy, W. C. Mearns, J. A. G. Wallace, F. H. Dietrich and E. M. Gunderson, provisional directors of the Bank of British Columbia.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Addison,	Comtois,	Langlois (<i>Mégantic</i>),
Basford,	Davis,	Leboe,
Cameron (<i>Nanaimo-</i>	Flemming,	Lind,
<i>Cowichan-The Islands</i>),	Fulton,	McLean (<i>Charlotte</i>),
Cashin,	Gilbert,	Monteith,
Chrétien,	Irvine,	More (<i>Regina City</i>),
Clermont,	Lambert,	Munro,
Coates,	Lamontagne,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

ORDERS OF REFERENCE

THURSDAY, June 23, 1966.

Ordered,—That Bill S-16, An Act to incorporate Bank of British Columbia, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

MONDAY, October 17, 1966.

Ordered,—That the Standing Committee on Finance, Trade and Economic Affairs be authorized to sit while the House is sitting during consideration of Bills S-16, C-190, C-222 and C-223.

TUESDAY, October 18, 1966.

Ordered,—That the name of Mr. Addison be substituted for that of Mr. Andras on the Standing Committee On Finance, Trade and Economic Affairs.

WEDNESDAY, October 19, 1966.

Ordered,—That the names of Messrs. Lind, Davis and Gilbert be substituted for those of Messrs. Macdonald (*Rosedale*), Wahn and Lewis on the Standing Committee on Finance, Trade and Economic Affairs.

Attest.

LÉON-J. RAYMOND,

The Clerk of the House of Commons.

REPORTS TO THE HOUSE

FRIDAY, October 14, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

TWELFTH REPORT

Your Committee recommends that it be authorized to sit while the House is sitting during consideration of Bills S-16, C-190, C-222 and C-223.

Respectfully submitted,

(Concurred in October 17, 1966.)

TUESDAY, October 25, 1966.

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

FIFTEENTH REPORT

Your Committee has considered Bill S-16, An Act to incorporate Bank of British Columbia, and has agreed to report it with the following amendments:

Clause 5

Delete clause 5.

Original clause 6

Amend by re-numbering as clause 5.

On page 2, lines 4 and 48, amend "sections 7 to 10" to read "sections 6 to 9".

On page 3, lines 18, 19, 21, 22 and 25, amend "sections 7 to 10" to read "sections 6 to 9"; and in line 34, amend "sections 7 and 8" to read "sections 6 and 7".

Original clause 7

Renumber as clause 6.

Original clause 8

Renumber as clause 7.

On page 6, line 7, amend "section 6" to read "section 5".

Original clause 9

Renumber as clause 8.

On page 7, in lines 2, 3 and 17, amend "sections 6 to 10" to read "sections 5 to 9".

On page 7, in line 44, amend "section 7" to read "section 6".

On page 8, in line 24, amend "section 7" to read "section 6".

Original clause 10

Renumber as clause 9.

On page 8, in lines 43 and 48, amend "section 7", to read "section 6".

On page 9, in lines 1 and 2, amend "section 8" to read "section 7".

Original clause 11

Renumber as clause 10.

On page 9, in line 9, amend "Sections 6 to 10" to read "Sections 5 to 9".

Original clause 12

Renumber as clause 11.

Original clause 13

Renumber as clause 12.

New clause 13

Add new clause 13, as follows:

"13. No executive officer of the Bank shall be a director, employee or officer of any Government or agency thereof."

A copy of the Minutes of Proceedings and Evidence relating to this Bill (Issue No. 16) is appended.

Respectfully submitted,

HERB GRAY,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, October 18, 1966.
(23)

The Standing Committee on Finance, Trade and Economic Affairs met at 11:15 a.m. this day, the Chairman, Mr. Gray presiding.

Members present: Messrs. Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cashin, Chrétien, Clermont, Gray, Irvine, Lambert, Leboe, Lewis, McLean (*Charlotte*), More (*Regina City*) (12).

Also present: Messrs. Addison and Chatterton.

In attendance: Messrs. C. F. Elderkin, Inspector General of Banks; W. G. Burke-Robertson, Parliamentary Agent; H. B. Elworthy; W. C. Mearns, J. A. G. Wallace; F. H. Dietrich and E. M. Gunderson, provisional directors of the Bank of British Columbia.

There being no quorum, the Committee proceeded to hear evidence informally on Bill S-16, An Act to incorporate Bank of British Columbia.

Later the Chairman noted that a quorum was now present and called the Preamble of the Bill.

On motion of Mr. Chrétien, seconded by Mr. More (*Regina City*):

Resolved,—That the evidence recorded before the official opening of the proceedings be incorporated as part of the official record.

Mr. Leboe, sponsor of Bill S-16, introduced the Parliamentary Agent, Mr. Burke-Robertson, who made a brief statement and introduced the witnesses.

MR. GUNDERSON, one of the provisional directors, read a statement into the record, copies of which, in English and French, were distributed to the members.

On motion of Mr. Clermont, seconded by Mr. More (*Regina City*):

Resolved,—That the charts and biographical sketches of the provisional directors included in Mr. Gunderson's brief be incorporated in this day's Minutes of Proceedings and Evidence. (*See Evidence* for charts and *Appendix A* for biographical sketches).

Mr. Gunderson and Mr. Mearns tabled statements showing income received from crown corporations of the British Columbia Government and corporate offices and directorships held.

On motion of Mr. Basford, seconded by Mr. Cameron (*Nanaimo-Cowichan-The Islands*):

Resolved,—That the statements tabled by Messrs. Gunderson and Mearns be included as appendices to this day's Minutes of Proceedings and Evidence. (*See Appendices B and C*).

Mr. Elworthy, as Chairman of the Board of the undermentioned firms, tabled letters and statements from these firms pertaining to volume of sales to the Government of British Columbia or related departments or authorities:

Island Tug and Barge Limited, Princess Mary Restaurant Limited, Trans Pacific Towing and Salvage Limited and Victoria Tugboats Limited.

On motion of Mr. Basford, seconded by Mr. Cameron (*Nanaimo-Cowichan-The Islands*):

Resolved,—That the letters and statements tabled by Mr. Elworthy be included as an appendix to this day's Minutes of Proceedings and Evidence. (See Appendix D).

Messrs. Elderkin, Burke-Robertson and Gunderson were questioned.

The questioning continuing, at 12:20 p.m. the Committee adjourned until 3:30 p.m. or after Orders of the Day.

AFTERNOON SITTING

(24)

The Committee resumed at 4:10 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Addison, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Clermont, Comtois, Gray, Lambert, Leboe, McLean (*Charlotte*), More (*Regina City*) (11).

Also present: Messrs. Deachman, Lind and Pugh.

In attendance: The same as shown for the morning sitting.

Questioning of the witnesses was continued.

At 5:30 p.m. Mr. Addison took the Chair, at the request of the Chairman who had to leave on other business.

The questioning continuing, the Committee adjourned at 6:05 p.m. until 8:00 p.m. this day.

EVENING SITTING

(25)

The Committee resumed at 8:05 p.m. this day, the Acting Chairman, Mr. Addison, presiding.

Members present: Messrs. Addison, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Clermont, Comtois, Irvine, Lambert, Leboe, McLean (*Charlotte*), More (*Regina City*), Valade (11).

Also present: Messrs. Byrne, Davis, Deachman, Macaluso and Pugh.

In attendance: The same as shown for the morning sitting.

A quorum not being present, the Committee continued informal questioning of the witnesses.

Later the Acting Chairman noted that a quorum was present and on motion of Mr. Leboe, seconded by Mr. Cameron (*Nanaimo-Cowichan-The Islands*):

Resolved,—That the evidence adduced earlier in this sitting be incorporated as part of the official record.

After further discussion and questioning, Mr. Basford moved, seconded by Mr. McLean (*Charlotte*):

That the Chairman communicate forthwith with the presidents of the Vancouver Board of Trade and the British Columbia Chamber of Commerce to determine their views on this application.

Mr. Cameron (*Nanaimo-Cowichan-The Islands*) moved in amendment, seconded by Mr. Leboe:

That the Vancouver Labour Congress, the British Columbia Federation of Labour and the Chamber of Commerce of the City of Victoria be added to the organizations named in the main motion.

The mover and seconder of the main motion accepted the amendment.

The Committee agreed to defer consideration of the motion and amendment until the next sitting and at 10:10 p.m. adjourned until Wednesday, October 19, 1966, at 3:30 p.m.

WEDNESDAY, October 19, 1966.

(25)

The Standing Committee on Finance, Trade and Economic Affairs met at 4.00 p.m. this day.

Members present: Messrs. Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Clermont, Davis, Flemming, Lambert, Lamontagne, Leboe, Lind, McLean (*Charlotte*), More (*Regina City*)—12.

Also present: Messrs. Johnson and Tremblay.

In attendance: Messrs. C. F. Elderkin, Inspector General of Banks; W. G. Burke-Robertson, Parliamentary Agent; H. B. Elworthy; W. C. Mearns, J. A. G. Wallace, F. H. Dietrich and E. M. Gunderson, provisional directors of the Bank of British Columbia.

In the unavoidable absence of the Chairman and the Vice-Chairman, the Clerk called for nominations for the post of Acting Chairman.

On motion of Mr. Basford, seconded by Mr. Leboe,

Resolved,—That Mr. Chrétien do take the Chair for this day's sittings.

Mr. Chrétien thereupon took the Chair and the Committee resumed consideration of Bill S-16, An Act to incorporate Bank of British Columbia.

The Acting Chairman reminded the Committee that the first item on the agenda was the motion of Mr. Basford and the amendment of Mr. Cameron (*Nanaimo-Cowichan-The Islands*). It was agreed to consider the motion and amendment as one motion, which reads as follows:

"That the Chairman communicate forthwith with the Vancouver Board of Trade, the British Columbia Chamber of Commerce, the British Columbia Federation of Labour, the Vancouver Labour Congress and the Chamber of Commerce of the City of Victoria to determine their views on this application."

After discussion, by leave, Mr. Basford withdrew his motion with the consent of the seconder, Mr. McLean (*Charlotte*).

The Preamble was allowed to stand.

Clauses 1 to 3 inclusive were carried.

Clause 4 was carried, on division.

On Clause 5

Mr. Basford moved, seconded by Mr. Lamontagne,

That clause 5 be amended by inserting a new sub-clause 3 and re-numbering the present sub-clause 3 as sub-clause 4 with the new sub-clause 3 to read as follows: "No director of the Bank shall be a director, employee or officer of any Government or agency thereof."

After discussion, and the question having been put on the proposed amendment, it was resolved in the negative on the following division: Yeas, 4; Nays, 7.

The Acting Chairman called sub-clause 1 of clause 5, which was carried on the following division: Yeas, 4; Nays, 3.

After further discussion and questioning, the promoters stated that they would agree to the withdrawal of clause 5. The Committee therefore agreed to revert to consideration of all the sub-clauses of clause 5.

On motion of Mr. Davis, seconded by Mr. Clermont:

Resolved,—That clause 5 be deleted and the subsequent clauses be consequently re-numbered, and that appropriate cross-references to other clauses should be made in view of the re-numbering.

The clauses at present numbered 6 to 13 inclusive were carried, as amended by re-numbering.

Mr. Basford moved, seconded by Mr. Clermont that:

The Bill be amended by adding thereto a new clause 13 as follows: "No executive officer of the Bank shall be a director, employee or officer of any Government or agency thereof."

The question being put on the proposed amendment, it was resolved in the affirmative on the following division: Yeas, 6; Nays, 3.

The Preamble was carried, and the Title and the Bill, as amended, were carried.

Ordered,—That the Chairman report the Bill, as amended.

Mr. Dietrich, on behalf of the provisional directors, thanked the committee for the hearing accorded to the promoters.

At 5.05 p.m., the Committee adjourned until Tuesday, October 25, 1966, at 11.00 a.m.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, October 18, 1966

(English)

The CHAIRMAN: Gentlemen, I am calling the meeting to order at this time. We will begin an unofficial session for the purpose of taking evidence with the understanding that there will be no votes taken or matters that require a quorum discussed until we are officially constituted.

(Translation)

According to our agenda we are to deal with the Bank of British Columbia. To begin with—

(English)

I am going to ask the sponsor, Mr. Leboe, to introduce the parliamentary agent after I call the preamble of the bill.

On the preamble.

The CHAIRMAN: Mr. Leboe, will you introduce the sponsor and those he brought with him?

Mr. LEBOE: Mr. Chairman and gentlemen, we have with us today Mr. Gunderson, Mr. Elworthy, Mr. Mearns, Mr. Dietrich, Mr. Wallace and their solicitor, Mr. Burke-Robertson. They will be very pleased to answer any questions you might have concerning the bill to incorporate the Bank of British Columbia.

The CHAIRMAN: Mr. Burke-Robertson, I would invite you to make any introductory statement you have at this time. You may remain seated, if you wish. We are very accommodating here.

Mr. W. G. BURKE-ROBERTSON (*Parliamentary Agent*): Mr. Chairman and gentlemen, it may be of assistance to the committee in considering the submissions to be made by the petitioners if I give the members some background information. This application, as perhaps some of you realize from the press and otherwise, has gone on for several years. There is a distinct difference, however, between the essential nature of the application now before the committee and that which was originally commenced in the Senate in 1964.

At that time the same petitioners who are here before you today were asked by the government of British Columbia to make the application. I think it is fair to say that it was a government sponsored bill in the sense that the government of British Columbia advertised the fact that it was prepared to support the bank by means of a substantial share holding. I believe at that time it was initially around 25 per cent and subsequently it was reduced to about 5 per cent. The exactitude of that information does not matter greatly at the moment because, as you also know, the bill was not accepted by the Senate in

that form and, subsequently in 1965, Bill No. C-102 was introduced in the House of Commons which precluded any government ownership of stock in a chartered bank.

The CHAIRMAN: Excuse me, Mr. Burke-Robertson. I notice a pile of briefs before you, are they for the use of the committee?

Mr. BURKE-ROBERTSON: Yes, I was going to distribute them shortly. They do not concern what I am speaking about now, Mr. Chairman.

The CHAIRMAN: Oh, I am sorry.

Mr. BURKE-ROBERTSON: I intend to distribute them in a few minutes.

As a result of the opposition that was encountered and also as a result of the obvious intention of parliament, as revealed by Bill C-102, the new Bank Act, the provincial government withdrew its previously announced support, and when the petitioners appeared before the Senate in 1966, Senator Farris advised that the government of British Columbia would not subscribe for shares.

The character of the application from that time forward was substantially changed. As I said, that was in February, 1966, and members of this committee will remember that in the first week in March, 1966, Bill C-111, for the incorporation of the Bank of Western Canada, was considered at three rather lengthy sessions. The committee reported the Bill in amended form to the House of Commons later on in the month of March, 1966. The amendments consisted of the introduction into the bill of certain sections from the new Bank Act. Now, those sections, I understand, in Bill C-102, the new Bank Act, were drafted by the Department of Justice before the government introduced Bill C-102.

The net result was that the Bank of Western Canada bill, Bill C-111, was reported by this committee, substantially amended in the sense that a number of these sections were added from the new bank bill. That was early March, 1966.

When the present petitioners appeared before the Senate Committee for the consideration of this bill, it was considered advisable at that stage, in view of the fact that this committee had already indicated its views with regard to the other bank, to amend the Bank of British Columbia bill accordingly, and this was done. So the bill that is now before this committee in most respects, is similar to the bill, brought by the incorporators of the Bank of Western Canada, which was before this committee. There are a few areas in which it is different and those parts that I mentioned are different involve the capitalization of the bank, which is \$100 million; the head office of the bank, which is Vancouver, British Columbia and the bill now before the committee also specifies that the majority of the directors and the majority of the executive officers shall be resident in British Columbia or ordinarily resident there.

The CHAIRMAN: Mr. Burke-Robertson, I must apologize for interrupting you again, but I feel I should for the purpose of declaring this meeting officially constituted. In fact, it has been for some time. We reached our quorum very shortly after the unofficial opening of the meeting. My apologies, once again.

Mr. BURKE-ROBERTSON: You interrupted at a very appropriate time, Mr. Chairman, because I think that substantially concludes the introductory remarks that I might make at this time, Mr. Chairman and gentlemen.

I would now like to introduce to the members the petitioners, who are here today and ask Mr. Gunderson to present his brief. As soon as I have introduced him I will distribute copies of his brief so that members will have a copy before them as the meeting proceeds. I will then ask Mr. Gunderson to address the committee. Before doing so, may I say the blue covered books Mr. Chairman and gentlemen, are the English version of the brief that is about to be presented by Mr. Gunderson and this very attractive and fascinating pink copy is the French version of the same material. If there are any additional copies required, there are plenty here.

The CHAIRMAN: Mr. Gunderson you may proceed.

Mr. EINER M. GUNDERSON (*Provisional Director of the Bank of British Columbia*): Mr. Chairman and honourable gentlemen, you have these copies before you and I might mention that Part I of this brief is a copy of the Act to incorporate the Bank of British Columbia and this has been explained by Mr. Burke-Robertson.

Part II gives the particulars of the provisional directors, and our statements in support of the proposed bank will commence on page 16.

The CHAIRMAN: Before you begin, Mr. Gunderson, perhaps you might feel more at ease if you are seated. It also might be better for our recording system because we are using an electronic system rather than a reporting staff.

Mr. GUNDERSON: Mr. Chairman and honourable members, I appreciate the opportunity to appear before the committee as spokesman on behalf of the provisional directors of the proposed Bank of British Columbia. I am pleased to say that all of the provisional directors at present are here and have already been introduced to you.

The CHAIRMAN: Would you like to tell them from where you are reading?

Mr. GUNDERSON: I am reading from page 16, if you wish to follow it in the brief.

Two years ago the provisional directors initiated steps to seek the approval of parliament for a bill to incorporate a chartered bank of national significance with head office in Vancouver, British Columbia, to be known as the Bank of British Columbia. At the time of the first appearance before the Banking and Commerce Committee of the Senate, some twenty-two months ago, and it is longer than that now, many reasons were advanced to support the need for a large banking institution tuned to the needs of western Canada generally and British Columbia in particular. Those reasons apply with equal force today as they did some two years ago. Indeed, a consideration of the economic indices within the province within that short period of time and the adjusted projections for the future bear out the fact that the reasons previously advanced apply with greater force today than they did then. This fact will be readily seen from a consideration of the material which follows.

Geography dictates a need for a bank in British Columbia. British Columbia ranks third amongst the provinces in size and is greater in land area, excluding lakes, than Ontario. It is one-sixth larger than the combined area of the United Kingdom and France and is larger in area than the States of Washington, Oregon and California put together.

In terms of proximity to existing banking institutions four of the head offices of the existing chartered banks are located in the present financial capitals of Canada of Toronto and Montreal, some two-thirds of the continent away. The fifth chartered bank with nation-wide branches has its head office in Halifax which is closer to London, England, or Paris, France, than Vancouver.

The significance of geography in this context is that in spite of rapid communication and transportation there is a great gulf fixed between the existing financial centres in the east and the financial needs and economic aspirations of the Pacific region. All men are conditioned by the environment of the region in which they operate, in a nation where each economic region is an empire in itself seeking adequate credit to achieve maximum economic growth.

It is an economic reality long recognized by many, including the Dominion Bureau of Statistics, that Canada is comprised of a nation basically of five distinct business regions, the Atlantic, Quebec, Ontario, Prairie and British Columbia areas. And yet the latter does not have the benefit of a banking institution based within its region. This, in spite of the fact that stronger economic reasons support a head office of a large chartered bank being in Vancouver than in Halifax, Nova Scotia. This is borne out by Table I, which compares the population and business activity of the four Atlantic Provinces combined with the Province of British Columbia. Note that British Columbia with a smaller population stands substantially higher in all other respects.

The following table shows the population and business activity in the Atlantic provinces, which are Nova Scotia, New Brunswick, Newfoundland and Prince Edward Island, compared with British Columbia. I will not go into detail as all the figures are there.

TABLE I
POPULATION AND BUSINESS ACTIVITY IN THE ATLANTIC PROVINCES (NOVA SCOTIA, NEW BRUNSWICK, NEWFOUNDLAND, AND PRINCE EDWARD ISLAND) AND BRITISH COLUMBIA

Item	1963			Latest		
	Four Atlantic Provinces	British Columbia	Per Cent British Columbia Greater (Less) than Atlantic Provinces	Four Atlantic Provinces	British Columbia	Per Cent British Columbia Greater (Less) than Atlantic Provinces
Population (000).....	1,958	1,695	(-13.4)	1,990	1,789	(-11.2)
Labour force (000).....	601	616	2.5	611	667	9.2
Labour income (\$ millions)	1,445	2,248	55.6	1,557	2,460	58.0
Capital investment (\$ millions).....	957	1,382	44.4	1,165	1,876	61.0
Factory shipments (\$ millions).....	1,052	2,463	134.1	996	2,404	141.4
Retail sales (\$ millions)..	1,560	1,888	21.0	1,618	2,058	27.2
Cheques cashed (\$ millions).....	7,406	25,070	238.5	8,726	30,190	246.0

SOURCE: Dominion Bureau of Statistics.

To emphasize the high level of economic activity and growth in the Pacific region and to graphically indicate the increase that has taken place even within the short period of two years from the date we first appeared—it is over two years, by the way—before the Senate Banking and Commerce Committee one can do no better than set out a portion of one of the briefs presented at that time, by inserting therein in red the present percentages and figures and thereby show the substantial increase that has occurred in many sectors within that short space of time.

Let us look at some comparisons as given in Table 2. In the 12 years from 1952 to 1963 British Columbia has increased its share of national population from 8.3 to 9.1 of labour force from 8.4 to 9.3 of personal income, from 9.9 to 10.4 of factory shipments, from 7.8 to 8.6 and of foreign exports from 11.3 to 13.2. British Columbia retained between 1952 and 1963 its 11 per cent-share of national capital investment, (*now* 15.8) and 10 per cent of retail sales, (*now* 10.6)—both well above its shares of national population. For all these growth factors, the relative progress of British Columbia in 1963 exceeded the rest of Canada.

Now, on the table on p. 680 to which I have just referred, there is population, labour force, personal income and so on. By the way, since this was prepared, which was several months ago, the population now as shown in the first figure in 1965 was 1,789,000; it is now 1,838,000.

Of great importance to the Canadian economy is the increasing proportion of national foreign exchange earnings produced by exports of British Columbia products. Between 1952 and 1963, the foreign shipments of British Columbia goods rose from \$486 million to \$1.06 billion—now it is up to \$1.12 billion, bringing it up from 1963 to 1964, up 118 per cent (*now* 131 per cent) while those of the rest of Canada increased by only 51 per cent, (*now* 83 per cent). In 1963 the 9 per cent of Canadians in the Province produced 15.6 per cent, (*now* 13.9)* of the national foreign commodity exports.

There is a footnote here to explain that lesser amount.

* Footnote:—The decrease is attributed to the fact that British Columbia capital plant is operating to virtually full capacity. Moreover, the auto agreements have enhanced exports from other parts of Canada than B.C.—primarily Ontario.

It is well known that Canada is a major world exporter of goods. However, it is less well known that 1963 British Columbia merchandise exports were equivalent to 22.7 per cent of the gross provincial product while the rest of the nation exported only 16.5 per cent.

With respect to interprovincial trade, British Columbia imports of products of Ontario and Quebec have an annual value of about five times the yearly worth of British Columbia goods shipped to the central provinces.

Thus British Columbia has basically different trade patterns than the rest of Canada and, in particular, than Ontario and Quebec, where management of our chartered banks is concentrated. The Pacific region is a greater per capita exporter of its goods to open or world markets: 75

TABLE 2
GROWTH IN BUSINESS ACTIVITY OF BRITISH COLUMBIA AND CANADA, 1952 TO 1963

	1952		1963		Percentage Growth 1952/63		Percentage Growth 1962/63		1965		% Growth 1952/65		% Growth 1964/65	
	Per cent of	Canada	Per cent of	Canada	B.C. Canada	Rest of Canada	B.C. Canada	Rest of Canada	B.C. Canada	Rest of Canada	B.C. Canada	Rest of Canada	B.C. Canada	Rest of Canada
Population, June 1 (000).....	1,205	8.3	1,695	9.0	41	30	2.2	1.7	1,789	9.1	48	34	2.9	1.6
Labour force (000).....	447	8.4	616	9.1	38	26	2.8	1.9	667	9.3	49	33	4.4	2.8
Personal income (\$ millions)....	1,728	9.9	3,317	10.1	92	88	6.6	6.3	4,000	10.4	131	123	10.7	9.9
Capital Investment (\$ millions).	811	11.1	1,382	11.0	70	73	7.3	5.6	1,950	15.8	140	64	12.4	13.9
Factory shipments (\$ millions)..	1,332	7.8	2,463	8.5	85	69	10.8	6.6	2,875	8.6	116	95	7.6	5.8
Retail sales (\$ millions).....	1,177	10.2	1,888	10.2	60	60	5.8	4.8	2,275	10.6	93	85	8.5	6.8
Foreign exports ¹ (\$ millions)....	486	11.3	1,059	15.6	118	51	13.6	9.4	1,120	13.2	130	93	No change	5.8

¹ Export of products produced in British Columbia and exported through all Canadian customs ports.
Source: Dominion Bureau of Statistics and British Columbia Bureau of Economics and Statistics.

per cent of our lumber, pulp, and paper and up to 90 per cent of our minerals are shipped to foreign markets. British Columbia in 1963 was a greater earner of foreign exchange—\$624.48 per capita, now \$645—so vital to our international solvency—than the rest of Canada which was only \$333 per capita but is now \$398. British Columbia buys its manufactured goods largely from Ontario and Quebec, which are protected sources of goods for the captive British Columbia market. Anything that can be done to encourage and assist development in British Columbia greatly assists the rest of Canada.

The realities of British Columbia's international and national trading positions, which differ so much from those of Ontario and Quebec, justify the Bank of British Columbia with principal office in Vancouver to service effectively our distinctive trade needs.

The tremendous increase in capital investment in the province is reflected in Table II. According to the Budget Speech of the Minister of Finance, delivered in the provincial legislature on February 11th, 1966, total capital investment of nearly \$2 billion was realized in 1965, about 14% above the 1964 mark. Increased personal income, volume and value of industrial production, and a greater number of tourists assisted in the growth.

Moreover, the population of British Columbia increased by 3.8 per cent or 67,000 persons last year, to an estimated 1,838,000. This annual rate of increase is the highest in Canada. The labour force continues to expand and now comprises 666,000, up 4.2 per cent from 1964.

Capital investment in the forest industries reached an unprecedented high with the installation of an estimated \$250 million in new manufacturing facilities. Substantial outlays were made in the sawmilling, plywood and veneer industries, but the pulp and paper industry accounted for the major portion of this expenditure. Total capital committed and planned investment in the pulp and paper industry alone exceeds \$1 billion. The estimated value of forest production in 1965 is \$980 million. Pulp production increased 14 per cent, paper 11 per cent and plywood 6½ per cent.

Mining records in British Columbia are being broken by extensive exploration and development projects. Major development work is being done at two copper properties in north-western British Columbia, involving an investment in excess of \$100 million. In 1965 two large molybdenum properties came into production. The estimated value of mineral production in 1965 is \$271 million.

The 1965 estimated value of factory shipments, indicating provincial manufacture and growth of secondary industry, was \$2.9 billion, up 7.6 per cent from 1964. Exports to foreign countries through British Columbia ports are estimated at \$1.6 billion. Personal incomes increased 10.7 per cent. The number of American tourists rose by 10 per cent. Provincial retail sales increased to \$2.3 billion, up to 8.5 per cent while residential construction was up 10 per cent and is estimated at \$337 million.

In summary, all economic indices, including the development of primary and secondary industries in the province point to the necessity

for development and growth of financial institutions to match those of industry and it is suggested, that the establishment of this bank is a proper means to that legitimate end.

But what of the economic prospects for the future? The expectations for British Columbia during the balance of this decade—to 1970—predict a labour force rising from 578,000 in 1961, to 729,000; personal income rising from \$2.9 billion to \$4.5 billion, and retail sales rising from \$1.6 billion to \$2.4 billion in the same period. All circumstances involving greater use of credit, greater offshore trade, and general expansion set the stage regionally for more broadly based banking systems—with western headquarters. Expectations to 1975 are even more attractive. It is conservatively estimated that the population of the province by that time will be about 2.4 million and the rate of capital investment will have risen from its present level of nearly \$1.6 billion a year to a figure approximating \$2.4 billion.

The growth of the western Canadian economy is to be seen in a comparative table of bank branch expansion.

Now, the table on p. 683 shows the expansions of banks in the various provinces over a period of years. In the last column showing 1964, if you will add up the Atlantic region you will see that it is 422; Quebec 1,539; Ontario 2,022 and British Columbia 563.

The statement on p. 684 shows the cheques cashed at the clearing houses from 1958 to 1962. You will notice the increase in the Atlantic provinces was 1,198 per cent increase over 1938; Quebec was 1,174 per cent increase over 1938; Ontario's increase was 1,288 per cent; the prairie provinces' increase was 1,235 per cent and British Columbia 1,416 per cent.

The graph on p. 685 shows the repair expenditures by selected years. We had to revise the forecast, and in 1975 it will be \$2.850 billion.

Following, on page 686, the graph shows the population increase which also had to be revised. Even in that revised forecast, which we made six months ago, the amount that we showed here in 1965 was 1.789 million persons when actually it wound up with 1.838 million. So the forecast for 1970 will possibly be 2.2 million and by 1975 exceeding 2.5 million.

It is proposed, and indeed it is a provision of the bill, that the head office and executive office of the Bank be in the City of Vancouver. That city has in recent years made great strides in its growth as a commercial and—subject to the limitations of not having a chartered bank—a financial centre. That city is now the third largest in Canada and the largest metropolitan centre west of Toronto.

Still on the question of need, it is not an answer that the present banks are not doing a good job and can expand their number of branches as rapidly as business requires. Such a reply could be used to support the proposition that any single national bank of Canada is in a position to expand as required and that competitors need not, in fact, exist to meet the national needs of banking.

The more proper question to be asked is whether there are opportunities for new banks in Canada today? In the light of the findings of the Porter Commission and in the light of the prospect of widening

BRANCHES OF CHARTERED BANKS, BY PROVINCE, AS AT DECEMBER 31 FOR CERTAIN YEARS 1868-1962

NOTE.—Figures for 1920 and subsequent years include sub-agencies in Canada receiving deposits for the banks employing them; there were 708 such sub-agencies at December 31, 1962.

Province or Territory	1868	1902	1905	1920	1926	1930	1940	1946	1950	1960	1961	1962	1963	1964
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Newfoundland.....	—	—	—	—	—	—	—	—	39	71	76	81	88	90
Prince Edward Island.....	—	9	10	41	28	28	25	23	23	27	27	27	26	26
Nova Scotia.....	5	89	101	169	134	138	134	127	144	173	176	178	180	183
New Brunswick.....	4	35	49	121	101	102	97	96	100	113	117	118	121	123
Quebec.....	12	137	196	1,150	1,072	1,183	1,083	1,067	1,164	1,427	1,454	1,489	1,515	1,539
Ontario.....	100	349	539	1,586	1,326	1,409	1,208	1,117	1,257	1,785	1,869	1,916	1,967	2,022
Manitoba.....	—	52	95	349	224	239	162	151	165	234	246	248	255	261
Saskatchewan.....	—	30	87	591	427	447	233	226	238	296	301	299	303	308
Alberta.....	—	—	—	424	269	304	172	190	246	394	409	417	431	445
British Columbia.....	2	46	55	242	186	229	192	216	294	514	534	545	546	563
Yukon and N.W.T.....	—	—	3	3	3	4	5	6	9	17	15	14	15	15
Canada.....	123	747	1,145	4,676	3,770	4,083	3,311	3,219	3,679	5,051	5,224	5,332	5,447	5,575

SOURCE: Canada Year Book, 1963-64.

CHEQUES CASHED AT 35 CLEARING-HOUSE CENTRES, 1958-62

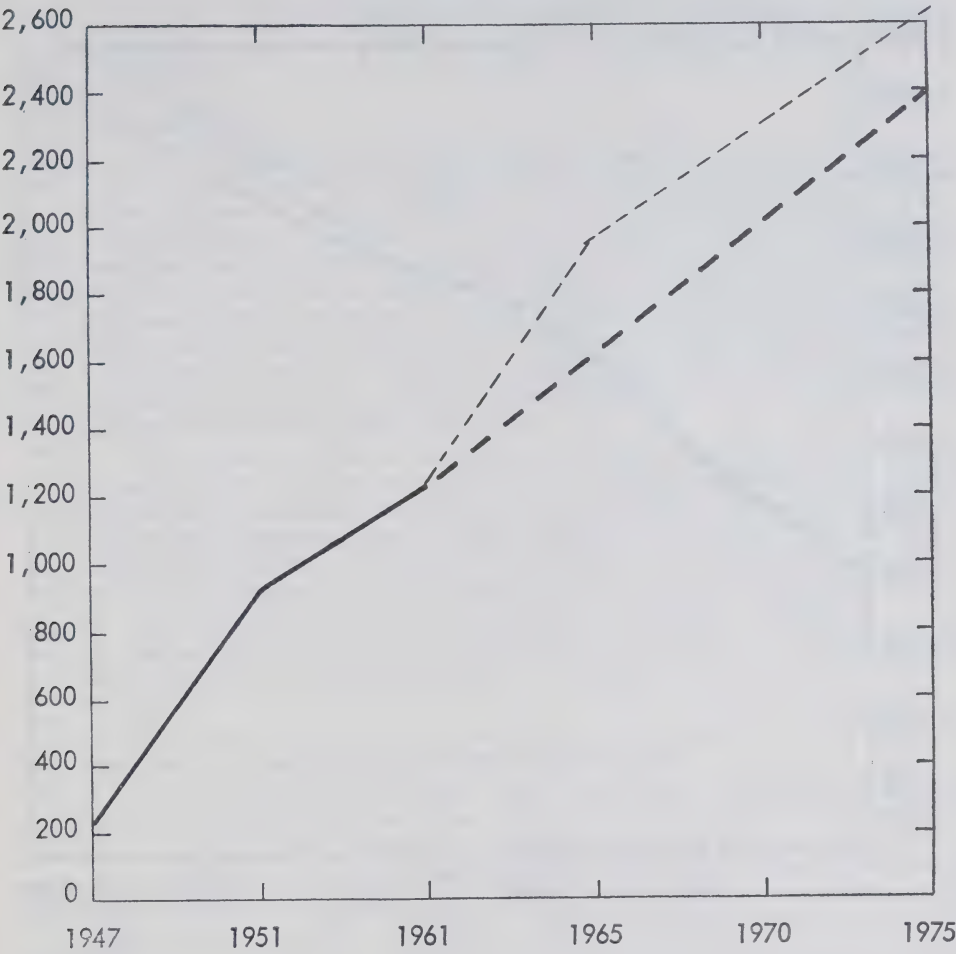
Clearing-house Centre	1958	1959	1960	1961	1962	Per Cent Increase over 1958	1963	1964	Per Cent Increase over 1958
	\$000	\$000	\$000	\$000	\$000		\$000	\$000	
Atlantic Provinces.....	4,438,573	5,119,612	5,499,101	5,876,857	6,599,066	918	7,405,754	8,301,199	1,198
Atlantic.....	1,952,996	2,240,973	2,470,454	2,765,782	3,101,706		3,557,104	3,852,641	
Moncton.....	644,873	687,497	703,300	725,886	771,911		817,463	887,873	
Saint John.....	974,038	1,240,454	1,292,907	1,352,215	1,352,215		1,508,102	1,706,178	
St. John's.....	866,666	1,506,688	1,032,440	1,102,650	1,283,264		1,521,085	1,854,507	
Quebec.....	63,318,152	70,466,038	80,114,230	87,213,839	97,851,664	882	108,813,868	126,978,357	1,174
Montreal.....	57,779,114	64,370,687	73,203,832	78,563,811	88,211,663		98,803,788	116,379,368	
Quebec.....	5,515,389	6,285,281	7,285,281	7,912,527	8,818,728		9,092,942	9,564,067	
Sherbrooke.....	544,069	579,963	625,117	707,501	821,273		917,138	1,034,922	
Ontario.....	102,798,608	117,852,356	125,319,946	134,710,363	149,812,492	965	162,200,060	191,639,223	
Brampton.....	611,026	692,858	688,254	693,833	791,851		855,872	921,046	1,288
Chatham.....	639,883	618,778	655,467	654,195	665,473		756,246	868,547	
Cornwall.....	400,905	430,320	406,526	455,088	476,467		519,027	609,142	
Fort William.....	483,694	483,014	454,425	483,450	500,329		544,409	583,174	
Hamilton.....	4,681,253	5,784,746	5,730,223	5,988,206	6,709,167		7,429,937	8,570,766	
Kingston.....	499,922	530,388	520,401	561,700	627,367		770,932	809,636	
Kitchener.....	1,050,153	1,212,701	1,268,458	1,321,571	1,580,719		1,796,074	2,006,150	
London.....	2,756,333	3,248,221	3,438,475	3,728,758	4,184,759		4,759,177	5,763,605	
Ottawa.....	4,823,537	5,441,744	5,428,618	5,923,459 ^a	6,765,125		7,472,755	8,601,107	
Peterborough.....	534,561	597,133	588,320	566,260	615,616		666,514	850,500	
St. Catharines.....	800,629	847,322	861,905	959,735	1,089,736		1,162,836	1,504,844	
Sarnia.....	589,935	610,219	631,965	701,576	781,867		745,363	760,770	
Sudbury.....	613,037	646,385	650,352	711,292	732,746		812,918	838,983	
Toronto.....	82,217,905	94,286,069	101,652,499	109,570,868	121,733,430		130,999,231	155,418,798	
Windsor.....	2,120,835	2,422,431	2,344,058	2,399,362	2,517,840		2,939,769	3,531,255	
Prairie Provinces.....	34,490,157	37,804,428	40,667,168	45,540,898	48,301,500	956	56,777,845	61,044,062	1,235
Brandon.....	229,039	247,763	255,007	269,028	271,465		289,517	328,967	
Calgary.....	7,846,109	8,528,838	8,773,941	10,326,214	11,415,900		12,291,349	14,070,305	
Edmonton.....	5,149,339	5,823,946	5,975,975	6,672,384	7,550,912		9,311,561	10,541,712	
Lethbridge.....	441,864	498,787	488,953	501,226	580,068		616,173	643,859	
Medicine Hat.....	201,480	226,498	225,390	243,630	295,133		292,610	309,689	
Moose Jaw.....	392,210	426,040	407,835	379,010	422,339		424,312	441,559	
Prince Albert.....	204,351	229,736	235,304	247,306	253,269		257,849	275,287	
Regina.....	3,622,192	3,859,211	4,377,349	4,869,831	5,326,695		5,727,082	5,926,437	
Saskatoon.....	971,924	1,085,023	1,101,592	1,170,588	1,265,700		1,361,303	1,551,490	
Winnipeg.....	15,631,849	16,910,586	18,825,822	20,861,681	20,919,929		26,206,089	26,954,757	
British Columbia.....	16,244,464	17,626,917	18,018,609	20,433,555	23,059,746	1,092	25,069,589	29,372,078	1,416
New Westminster.....	824,007	925,926	883,876	983,876	1,062,381		1,167,909	1,259,274	
Vancouver.....	13,143,566	14,230,065	14,653,843	17,766,910	19,602,381		21,679,909	25,239,774	
Victoria.....	2,276,891	2,470,926	2,500,900	2,666,645	3,487,365		3,389,680	4,132,804	
Totals.....	221,298,354	248,869,351	269,619,054	293,784,342	325,564,498		360,267,116	417,334,919	

^aExcludes some debits reported in preceding years.

Source: Canada Year Book, 1963-64.

^aIncluded with Vancouver.

British Columbia Capital and Repair Expenditure by Selected Years
(Millions of dollars)



Revised
Forecast

1947	233.4	1961	1,240.9
1951	726.4	1975	2,400.0 ¹

2,850

¹ Estimate.

1947 includes the Yukon.

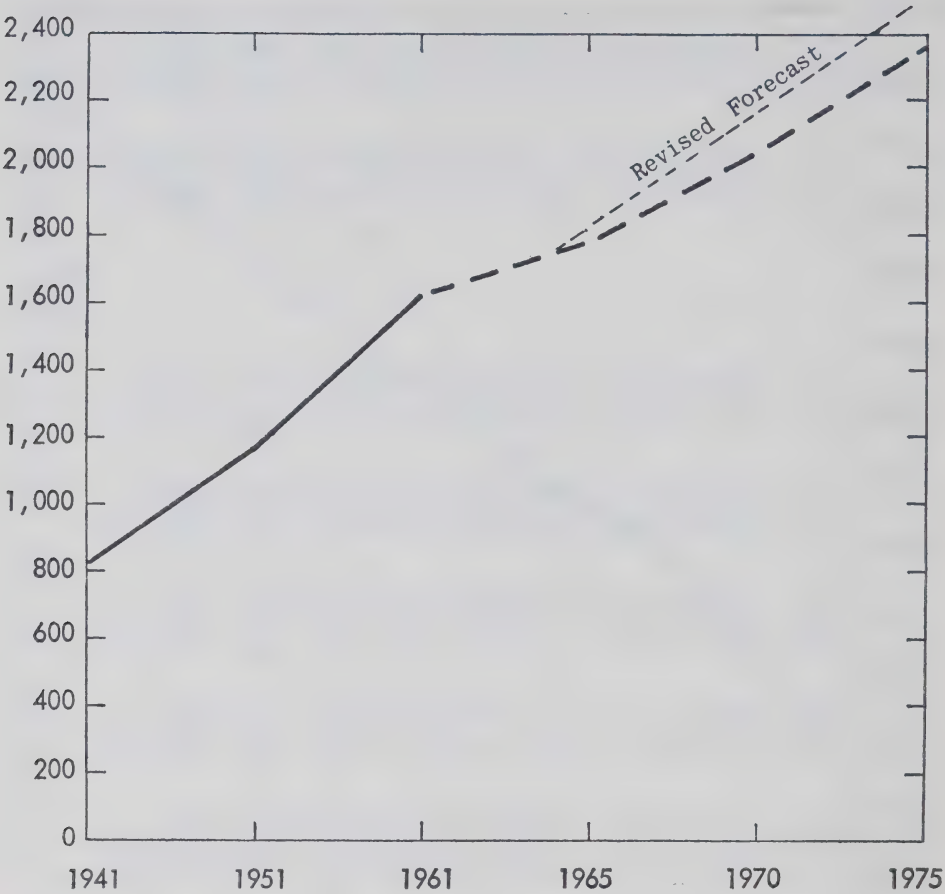
1951 includes the Yukon and Northwest Territories.

Source:—

Public and private investment, Dominion Bureau of Statistics, Ottawa.

Estimate by Bureau of Economics and Statistics, Victoria, B.C.

British Columbia Population, 1941 to 1975
(Thousands)



				Revised Forecast
1941	817,861	1965	1,782,000 ¹	1,789,000
1951	1,165,210	1970	2,050,000 ¹	2,075,000
1961	1,629,082	1975	2,370,000 ¹	2,410,000

¹ Estimate.

Source:—

Dominion Bureau of Statistics, Ottawa.

Estimates by Bureau of Economics and Statistics, Victoria, B.C.

opportunities which are so clearly to be seen in the commercial activity of the country today, the answer surely must be—yes. The Bank of British Columbia, however, adds a dimension to competition which not every bank proposal could add; that is, the dimension of regional competition, which is totally absent from banking in Canada at the present time.

Capitalization

The bill provides for capitalization of \$100 million. This sum exceeds the minimum for incorporation set out in the Bank Act and is several times in excess of the capitalization of the existing chartered banks prior to commencing operations. The broad capitalized base contemplated indicates that the provisional directors are convinced that the ability of the new bank to be successful, to achieve a responsible position among Canadian banks, and to avoid amalgamation depends on adequate financial resources. Every effort will be made to offer the shares throughout the whole of Canada through recognized investment houses. Because of protracted attempts to obtain incorporation the formal steps of stock issuance have not yet been undertaken.

The opinion of almost any person to whom you might wish to speak in any part of the Province of British Columbia, especially those in the investment community who pride themselves upon being knowledgeable about public response to such undertakings, would indicate that the share offering by the Bank of British Columbia will be heavily supported by public subscription in British Columbia and elsewhere in Canada.

It need hardly be mentioned that the provisions of the Bank Act as to the sale of stock and the requirements necessary to be met in that regard, prior to the commencement of business, will be fully met in all respects.

The price of the shares, subject to market advice at the time, is expected to be in the neighbourhood of \$25 to \$30.

It is suggested, with respect, that even if it can be assumed hopefully that the provisions of the Porter Commission will soon be implemented, that is not a valid reason for delaying petitions for incorporation of chartered banks prior to implementation. The Porter Royal Commission deals with the whole field of Canadian banking and finance, including loan companies, trust companies, investment dealers, finance companies, life insurance companies, as well as banks. The fact of the matter is that several applications for incorporation of these kinds of financial institutions have been granted by this committee subsequent to the coming down of the Porter Commission Report. It is the law of the land now that is to be looked to in considering this application and not what it might be in the future of what it should be. Changes in the law subsequent to incorporation will have to be adhered to at the time.

Operation and personnel

So as to ensure that the bank will maintain its western character, the bill provides that the majority of the directors and the executive officers of the bank shall be resident in British Columbia. While other

bank bills are silent on this question the profile of directors of existing banking institutions has given those institutions an eastern character. It is expected that the board of directors will be chosen so as to represent all sectors of the community.

As to personnel, the provisional directors have received many enquiries from persons at all levels of the banking community expressing their interest and indicating their desire to become associated with and a part of this venture. The name of an outstanding Canadian banker who will be president and chief executive officer of the bank will be announced in due course.

Thank you, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Gunderson. Now, before proceeding with our questioning, I would like to invite a motion that the biographical sketches attached to Mr. Gunderson's brief be incorporated in the official record.

Mr. CLERMONT: I move that the biographical sketches attached to Mr. Gunderson's brief be incorporated in the official record.

Mr. MORE: I second the motion.

Motion agreed to.

The CHAIRMAN: I would also like a motion that everything that was recorded prior to the opening of our official session also be included in the record.

Mr. CHRÉTIEN: I move that everything that was recorded prior to the opening of our official session be included in the official record of today's proceedings.

Mr. MORE: I second the motion.

Motion agreed to.

The CHAIRMAN: Now, I think at this point I should ask the Inspector of Banking, Mr. Elderkin, if he has any preliminary comments.

Mr. C. F. ELDERKIN (*Inspector General of Banks, Department of Finance*): No, Mr. Chairman, I think not. I would confirm that the proposed bill is in the same form as the bill already approved for the Bank of Western Canada with the exception of two special provisions regarding the location of the head office and the location of the executive offices and directors of the bank. Otherwise, the other provisions, following clause 5, are identical with those in the Bank of Western Canada bill as approved by this committee at an earlier date.

The only other comment I can make, Mr. Chairman, is the comment which has been made by the minister on several occasions, that he would welcome new banks.

The CHAIRMAN: Have the proposed incorporators of this bank met all the requirements?

Mr. ELDERKIN: As far as we can determine, yes, Mr. Chairman. We have no information that would lead to any other conclusion.

The CHAIRMAN: When we held the hearings for the Bank of Western Canada you indicated that you had some interest in the character and background of the incorporators. Did you discover anything of an adverse nature about their character, their commercial interest or associations of, perhaps, not a legal nature.

Mr. ELDERKIN: No. They have all stayed out of jail so far, Mr. Chairman.

The CHAIRMAN: I hope that you will go further than that.

We will now proceed to the questioning. I had an indication, while the brief was being presented, from Mr. Basford that he wanted to ask questions. Would any others, who also wish to ask questions, please signify. I recognize Mr. Lambert, who will follow Mr. Basford, then Mr. Cameron and Mr. Clermont. Others can signify as we go along. Mr. Basford, you can begin, please.

Mr. BASFORD: Mr. Chairman, my first question is directed to the parliamentary agent, Mr. Burke-Robertson. On April 12, 1966, I wrote to you, sir, and I would like to read the letter into the record.

Dear Mr. Burke-Robertson:

I am writing to you as parliamentary agent for Bill S-16, an Act to incorporate Bank of British Columbia, on the assumption that this bill will reach the Standing Committee on Finance, Trade and Economic Affairs, of which I am a member, in the very near future.

At the commencement of the hearings on this bill, it is my intention to ask for certain statements with regard to the provisional directors, and I thought I would write to give you advance notice of this intention so that you would have an opportunity of compiling this information before the hearings so that the bill would not be delayed in committee.

I would like a statement showing with regard to each of the provisional directors, the following:

1. Of what companies have each of the provisional directors been a director or officer for each of the last ten years.

2. For each of the last ten years what is the amount and nature of any business done between the government of British Columbia or any agency thereof and any company firm or partnership of which each of the provisional directors is or has been a director, officer, partner or shareholder.

3. For the last ten years what appointments or emoluments has each of the provisional directors received from the government of British Columbia or any agency thereof.

I received your very polite letter of April 27, addressed to me:

Thank you for your letter of April 12th which was not received until Wednesday, April 20th. This was, no doubt, due to the Easter recess of parliament.

I am most grateful to you for letting me know in advance of your intention to ask certain questions with regard to the provisional direc-

tors. I shall advise the petitioners at once so that they will each be in a position to furnish the committee with full answers thereto.

I am wondering, Mr. Burke-Robertson, whether you have a further reply for me.

Mr. LEBOE: Mr. Chairman, I would like to raise a point of order at this time. While the witnesses may be quite willing to disclose all the things that were requested in the letter, it does seem to me that this is completely outside, since we are talking about provisional directors of a bank which can be changed at any time. Are we going to find ourselves in the position where we will have to ask every director from the various banking institutions in this country to come before this committee to be screened whenever there is a change in bank directors? It seems to me that this is a very valid point of order I am raising. I would like to have some comment on it.

The CHAIRMAN: I think, first, before giving a ruling I should invite comments from other members of the committee who may be interested.

Mr. BASFORD: Speaking to the point of order I could say a great deal, but I think my question just follows along your question to Mr. Elderkin whether he has examined the provisional directors. I have no idea what sort of examination the Inspector General of Banks makes but if he is entitled to make an examination of provisional directors, then, I submit, so am I.

The CHAIRMAN: Is there any further comment before I give my ruling?

Mr. LAMBERT: Mr. Chairman, with the greatest respect to Mr. Leboe, I am not overly impressed with his arguments. These chartered banks are of a particular nature. We know that they are not necessarily a licence to make money because in the past there has been a good deal of money lost on incorporations of banks. There is no guarantee that this one will be profitable to the extent that some people might imagine. I think, in view of the past history of the applications of this bank, one could get an assurance that what it was supposed to do by going through the front door will not, in effect, result by entry through the back door. I think in the past, with regard to the only other incorporation that has been made by parliament respecting a bank in recent years, the directors were, shall we say, scrutinized pretty closely and under the circumstances I think this is quite all right. As a matter of fact, I anticipate that everything will be above board and, therefore, the positions of the provisional directors—who can, of course, become the permanent directors—shall be without reproach and thereby will be enhanced.

Mr. LEBOE: Actually I have only one comment, Mr. Chairman. I think Mr. Lambert's point is well taken but I think I should warn the committee that what we are doing here, in my view, is setting a precedent whereby we can claim the right in this committee, whenever there is a change in the directors of a bank, that we are in the position to ask for this type of information. I am sure the gentlemen here are quite willing and ready to comply but for the protection of the committee I feel that we should give consideration to this point.

The CHAIRMAN: Order, please. I think that I had quite a representative exchange of comment on the point of order and I am prepared to rule.

First of all, I want to thank Mr. Leboe for raising this point. I think it is useful to have some consideration and decision on it and, secondly, it seems to

me that because the provisional directors can be made permanent directors and therefore the decisions of the public regarding investments will be based, to a certain degree if not a large degree, on their knowledge of the reputations and personalities of the provisional directors and, thirdly, because of the effect of any chartered bank in Canada on the operation of economic and fiscal policy, I feel that this committee has an obligation to look into matters of the type raised by Mr. Basford.

Now, with all respect to Mr. Leboe, I feel this committee would not be able to examine the background of other directors who may later occupy that position once the bank is chartered even if it wanted to, because we can only look into matters that are specifically referred to us by parliament. Once we report this bill back to the house we are *functus*—I think that is the legal term, Mr. Lambert; *functus officio* would be even more explicit—we have discharged our responsibilities. Even if we were very interested in some of the directors, who at first would be the provisional directors, unless parliament specifically asks us to do so we would not be able to look into their background.

Finally, I would remind the committee that questions of this type were permitted and, in fact, welcomed with respect to the provisional directors for the Bank of Western Canada. Therefore in giving the ruling that these questions are admissible I do not do so with any idea that these questions reflect one way or the other on the provisional directors. With these comments in mind I rule these questions in order and I permit Mr. Basford to proceed.

I have one final comment. Naturally if questions seem to go into an area which is unduly personal or unfair, the Chair reserves the right to disallow the question or to accept a point of order with respect to the specific question. I would suggest that this general area is something which we have some obligation as a committee to examine.

Mr. LEBOE: The only comment I would like to make, Mr. Chairman, is that you have answered my question by saying that the provisional directors are not necessarily going to be the directors; they can be changed immediately. Therefore, what would be the object in going into the matter of the provisional directors if they are going to be changed?

The CHAIRMAN: Do you know they are going to be changed?

Mr. LEBOE: No, but if they are.

Mr. BASFORD: I would like to have an undertaking from the provisional directors that if they will not be directors they could possibly withdraw.

Mr. MORE: That is totally irrelevant. We are dealing with the situation as it is presented to us and we would be totally irresponsible if we did not satisfy ourselves as we did when we examined the officials of the Bank of Western Canada.

The CHAIRMAN: Thank you, Mr. More. I have already given my ruling and I have accepted further comment in an attempt to be completely fair. I do think we should continue with the questioning of the witnesses. Mr. Basford?

Mr. BASFORD: My question was addressed to Mr. Burke-Robertson.

Mr. BURKE-ROBERTSON: I am sorry, Mr. Basford. I assume your question is whether the information which you requested in April is now available to be produced before the committee?

Mr. BASFORD: Yes, sir.

Mr. BURKE-ROBERTSON: Well, it is. I did not say earlier, Mr. Chairman and gentlemen, as I might have, that the petitioners today, who are the original petitioners, are not agents of the government of British Columbia. I assume that is one of the purposes of Mr. Basford's questions. The information which Mr. Basford sought has been compiled and prepared and I think possibly it could now be distributed, Mr. Gunderson.

Mr. GUNDERSON: Yes. I gather the questions were specifically related to myself. If this statement could be distributed first and then I would like to make a statement after that.

Mr. MORE: Mr. Chairman, I want to challenge this at once. It seemed to me that I read nothing into Mr. Basford's letter which indicated a particular person was involved. I personally do not like anybody involved making an assumption of that kind without something to base it on. The assumption which Mr. Gunderson has made to the committee is unwarranted—I am not sure I agree with Mr. Basford's line of questioning following it, either—because the original assumption was stated in answer to a perfectly forthright request concerning all members of the provisional board.

The CHAIRMAN: Order.

Mr. BASFORD: Mr. Gunderson's assumption is somewhat alarming that he should take my question as being directed at him. It was not.

The CHAIRMAN: Order, please.

Mr. BURKE-ROBERTSON: I am sure the basis for the remark just made by Mr. Gunderson, when he suggested it was directed at him was based upon the *Hansard* report of the proceedings of the House of Commons at the time this bill was moved for second reading, at which time, if I remember correctly, Mr. Basford indicated that Mr. Gunderson and perhaps one or two others were representatives—he did not use the word “representatives”—or agents of the provincial government. I think he used the word “puppets”, as a matter of fact. I do not know whether it is really appropriate for me to refer to that record here or not.

Mr. MORE: Mr. Chairman, my reply is that it is the sentiment of the committee that Mr. Gunderson should not have made that assumption. I think he was out of order.

Mr. GUNDERSON: If you have this statement before you, I would like to point out the fact it mentions that I am a partner of Gunderson Stokes Walton & Company. Whatever I do, whatever director's fees or whatever services or emoluments I receive from any position, they just go into the partnership as a fee. As a matter of fact, when I was Minister of Finance my salary as Minister of Finance and my special indemnity went into the partnership. All my income goes into the partnership.

This statement shows the income that went into the partnership from various government instrumentalities and the second sheet shows other directorships. There have been changes since this statement was made up; I may be off one and on another, but this is insignificant and not too important.

Mr. MORE: Is a similar statement available with regard to the other directors?

The CHAIRMAN: Would you answer that question, Mr. Burke-Robertson?

Mr. BURKE-ROBERTSON: Yes, Mr. Chairman and gentlemen, there is a statement with reference to Mr. W. C. Mearns, which will be distributed to the members. There are no other statements because there is no other information of this nature and there are no other posts occupied by the other provisional directors.

The CHAIRMAN: Well, I think before asking Mr. Basford to proceed with his questioning we should distribute any other material which you may have relevant to this subject matter so that we may have an orderly consideration.

Mr. BURKE-ROBERTSON: I assumed it had been distributed.

The CHAIRMAN: Mr. Basford, I do not want to direct your approach to the questioning, but perhaps you may want to deal with each director in turn rather than go from one to the other because I understand each one is in a slightly different position.

Mr. BURKE-ROBERTSON: Contrary to what I advised the committee a moment ago, there has been other income by other directors, Mr. Chairman and gentlemen. No copies of this material are available. I think this will have to be dealt with by each provisional director separately.

The CHAIRMAN: I think the best way to proceed would be to deal with each provisional director in turn, beginning with Mr. Gunderson, as he appears to be the principal spokesman. We will then proceed in alphabetical or some other order. Those who do not have material in written form to submit can answer orally. Mr. Basford, are you prepared to proceed?

Mr. BASFORD: I was wondering about my third question, which read: "For the last ten years what appointments or emoluments has each of the provisional directors received from the government of British Columbia or any agency thereof?"

Mr. GUNDERSON: My statement covers all emoluments I received.

Mr. BASFORD: Does it cover all appointments? For example, I am curious about the University of British Columbia.

Mr. GUNDERSON: That is covered in the biographical sketch in the brief.

The CHAIRMAN: That is on page 13.

Mr. GUNDERSON: I happen to be a governor of the University of British Columbia and some of the other directors are governors of universities as well.

Mr. BASFORD: Mr. Gunderson, I am curious about the fact that when this bill was first introduced—I forget the exact wording of your parliamentary agent and I do not want to put words in his mouth—it was introduced with the provisional directors on the instructions of the provincial government. Were those your words, Mr. Burke-Robertson?

Mr. BURKE-ROBERTSON: At the request of the provincial government.

Mr. BASFORD: At the request of the provincial government. I am told that this situation has changed and yet there has been no change in the provisional directors.

Mr. GUNDERSON: May I answer that? When the provincial government could not buy the shares and decided to stay out of it, then the question arose what was going to happen to the bank. The present provisional directors had a meeting and decided the bank should be in British Columbia; we thought it would be a good thing to form one and decided to do it ourselves. That is our position.

Mr. BASFORD: Your position now is that you are five businessmen who think there should be a bank?

Mr. GUNDERSON: That is right.

Mr. BASFORD: It is not shown on the statement and I suppose it is technically not requested but I understand you are president or chairman of the Social Credit Education Fund.

Mr. GUNDERSON: Yes.

Mr. BASFORD: What is that?

Mr. GUNDERSON: It is a political fund.

Mr. BASFORD: A political fund for whom?

Mr. GUNDERSON: For the Social Credit party.

Mr. BASFORD: Is this the fund out of which all of the campaign expenses are paid?

Mr. GUNDERSON: Well, it is a fund out of which campaign expenses are paid.

● (12.00 p.m.)

Mr. BASFORD: Is it the fund through which all contributions to the Social Credit party are made?

Mr. GUNDERSON: No, I could not say that because, as you realize, each constituency, whether it is yours or anyone else's, has its own fiscal agent who receives donations.

Mr. BASFORD: Is it the principal source of Social Credit campaign funds?

Mr. GUNDERSON: It is the source of funds for advertising, and so on, on a provincial-wide basis without specifically assisting in any one constituency.

Mr. BASFORD: Who else is involved in the management of that fund?

Mr. GUNDERSON: I do not know if that is a proper question. I have acknowledged that I look after the fund.

The CHAIRMAN: I think that we are going somewhat far afield if we are going to get into the technical operation of the fund. If you want to ask specifically whether some individual or group is linked with Mr. Gunderson in this fund in an attempt—and I am not saying it is possible—to show some links one way or another, I think I could accept that line of questioning but I do not think it is within our terms of reference to look into the operations of this fund, interesting though they be to some.

Mr. BASFORD: Would it be correct to describe you as Premier Bennett's chief fund raiser?

Mr. GUNDERSON: No, I would not say that. You could say that I look after the fund after the donations are made; this is done on behalf of the party and not on behalf of the premier or any individual.

Mr. BASFORD: Then would it be correct to describe you as the party's chief fund raiser?

Mr. GUNDERSON: You might say that.

Mr. BASFORD: Well, I do not want to put words in your mouth. Is that a correct statement or not?

Mr. GUNDERSON: Yes, that might be correct.

Mr. BASFORD: I would be correct in describing you as the party's chief fund raiser?

Mr. GUNDERSON: I could be so described.

Mr. BASFORD: I would be correct in describing you in that way?

The CHAIRMAN: I think Mr. Gunderson has answered that question.

Mr. GUNDERSON: I think I have.

Mr. BASFORD: I was not trying to badger him; I was trying to avoid putting words in his mouth.

Mr. MORE: Mr. Chairman, if I may I would like to raise a point of order. Perhaps I can see now the basis for Mr. Gunderson's assumption. I would like to know what this has to do with his qualifications to be a provisional director of the bank. It seems to me that I can recall some high officials of other banks who have been—if you want to put it in this way—Mr. Pearson's fund raiser or the Liberal party's high fund raiser and who have been rewarded by going to the Senate. But it did not have anything to do with them being directors of banks. If we are going to get into this area, I think it is a pretty grave responsibility for any one on this committee to allow to pass without having a decision on it, and an early one, too.

The CHAIRMAN: Yes. I have already ruled in effect that—

Mr. BASFORD: Mr. Chairman, if I might speak to that point of order. Mr. Lambert said earlier in speaking to another point of order that the committee had a duty to determine whether something which it had been decided was not to be allowed via the front door was in fact being done via the back door. I think my questions are relevant and pertinent to that expression by Mr. Lambert and this is where my questions are directed.

Mr. LEBOE: Mr. Chairman, I would like to speak to that point of order to say this: that any bank to which we give a charter through the Parliament of Canada is going to be governed by the Bank Act. All the banks are under the Bank Act. It seems to me irrelevant that we should be getting so far afield in our discussions.

The CHAIRMAN: I have already indicated, without making a formal ruling, that I felt it was beyond our terms of reference at this point to look into the operation and direction of the Social Credit fund even though, as I say, it would probably be of great interest to many of us irrespective of political affiliation, and perhaps from the point of view of study of political science.

I do feel however, that questions, either from Mr. Basford or any one else, should be more specifically linked to illustrate that a certain person—and I am not referring to a particular witness at this moment—is linked with some person or group, I presume for the purpose of indicating some possible influence with regard to policy of the bank or carrying out of policy, I think this is within our ambit of operations, and I would suggest to Mr. Basford, and other possible questioners as well, that they exercise some care in this regard to avoid going beyond the reasonable bounds before us.

Perhaps I might offer a solution to this situation. If the questions in this area were made more specific, rather than in the indirect mode so beloved by those of us affiliated with the law, it would avoid our getting into discussions on the lack of order with respect to the area of questioning.

Mr. GUNDERSON: Mr. Chairman, I would like to make another statement. I was in exactly the same position when I was a director of the Canadian Imperial Bank of Commerce.

Mr. BASFORD: As the party's chief fund raiser, I take it that you have a very close relationship with the premier?

Mr. GUNDERSON: Well, that is going back a long time. What are you worrying about? If you are worrying about the fund raising, I am disassociating myself from the fund within the coming year. I am going to take things easy; I have been working too hard and I am going to step out of it. So, if you are worrying about the next election, it will not be me who will be the chief fund raiser.

Mr. MORE: Mr. Gunderson, does that indicate that funds are getting harder to raise?

Mr. GUNDERSON: Where else could I raise enough?

The CHAIRMAN: I would suggest to the members of the committee if they want to help resolve their local British Columbia difficulties they might do so after we adjourn.

The next name I have is that of Mr. Lambert.

Mr. LAMBERT: In this connection I am interested in the future business of the Bank of British Columbia and I am just wondering here, Mr. Gunderson, whether it would be the intention of B.C. Hydro, for instance, to conduct its major banking with the Bank of British Columbia and whether the Pacific and Great Eastern Railway intend to do most of their banking with the Bank of British Columbia?

Mr. GUNDERSON: I could not answer that. I do hope that when we form the bank that we will be able to get some of the government accounts; they are now handled by three banks.

Mr. LAMBERT: Yes, I know, but you can readily understand that in the executive positions you occupy in these two organizations you would have considerable say in this regard.

Mr. GUNDERSON: Yes, I might have.

Mr. LAMBERT: Is it your intention to remain as a permanent director of the bank?

Mr. GUNDERSON: That is up to the shareholders. I may not even be appointed a director.

Mr. LAMBERT: What I am concerned about here is that you are the chief executive officer of two very substantial provincial operations, two Crown corporations, and we know the direct influence a chief executive officer has in banking arrangements. I am asking would it be the intention of these two organizations to do a substantial portion of their banking with the Bank of British Columbia?

Mr. GUNDERSON: I could not say. That would be a decision for the directors of these various institutions. I am only one of the board of directors on B.C. Hydro and I am only one of the board of directors on the Pacific and Great Eastern Railway. If you think I could influence some of these directors, I doubt it as I have not been able to do so in certain other matters in the past.

Mr. LAMBERT: There are others; there is the Ferry Authority and the Toll Highways & Bridges Authority. These are all government emanations of one sort or another.

Mr. GUNDERSON: They are really hangovers from the time I was Minister of Finance. At that time I was a member of those authorities and they have just left me on them.

Mr. LAMBERT: Yes, I know, Mr. Gunderson, but you are not there just to decorate the walls.

Mr. GUNDERSON: No.

Mr. LAMBERT: They are relying on your knowledge and your ability. I am a little concerned, I must say, about the position of executive officers of provincial corporations being on the board of directors of a bank that is now supposed to be purely free enterprise and not connected in any way with the provincial authority. I must declare right now that I have absolutely no use for the idea that a provincial government shall participate directly or indirectly in any chartered bank. That is not its business and that is not its position. Therefore, this is what primarily concerns me. I am not interested in political connections; I am concerned about doing indirectly what you could not do directly.

Mr. GUNDERSON: No.

Mr. LAMBERT: I want that solemn assurance. I am sure the members of this committee want that solemn assurance. I also have some related questions to put to Mr. Elderkin in regard to the wording of the new section 52 in Bill C-222, which is different than the amendments brought into Bill S-16.

Having made my point I do not think I have to belabour it. I want this undertaking that this is not an attempt to do indirectly what you cannot do directly.

Mr. GUNDERSON: I think you can have our assurance on that point. This bank is being formed by five businessmen and at the present time we have only five provisional directors. Of course, the directorship will be enlarged when we receive our charter and start selling shares, and the shareholders are the ones who appoint the directors. If they have the same opinion as some people, well, no doubt I will not be a director.

Mr. LAMBERT: I will leave it at that for the moment.

The CHAIRMAN: I wonder if it might help the orderly consideration of this matter if we did two things. First, we should have a motion that Mr. Gunderson's mimeographed statement setting out his positions and salaries be distributed and made an appendix to today's producing. The same thing could be done with the similar statement presented by Mr. Mearns. If other directors have any information of the same sort which they could provide, perhaps we might invite each of them to make a brief statement as it might aid in the continuation of the questioning. Does this suggestion meet with the approval of the committee?

First, I would invite a motion to have the material I just referred to included as an appendix to today's proceedings.

Mr. BASFORD: I move that Mr. Gunderson's and Mr. Mearns' statements regarding their positions and salaries be included as an appendix to today's proceedings.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I second the motion.
Motion agreed to.

The CHAIRMAN: Before we proceed to the next questioner on my list—Mr. Colin Cameron—perhaps, as Chairman, I should first invite Mr. Mearns and then the others to provide any additional information they have on this point of links with the provincial government or other government instrumentalities.

We have your statement, Mr. Mearns. Is there any further detail or explanation you wish to give about it?

Mr. W. C. MEARNS (*Provisional Director of the Bank of British Columbia*): No, I do not think so, Mr. Chairman, except to refer to the comment Mr. Gunderson made about the university. Mr. Chairman, I was a governor of the University of British Columbia at the time.

The CHAIRMAN: Mr. Dietrich, do you have any information you wish to give the committee?

Mr. F. H. DIETRICH (*Provisional Director of the Bank of British Columbia*): No, I have no links at all with the provincial government. The only appointment I have received is as a governor of Simon Fraser University.

The CHAIRMAN: Mr. Elworthy?

Mr. H. B. ELWORTHY (*Provisional Director of the Bank of British Columbia*): Mr. Chairman, I have my statement here of business done with the government over the past 10 years. It involves the sum of \$23,000 over the years and the average volume of business would be between \$7 million and \$8 million a year.

The CHAIRMAN: For the information of the committee, what does that involve? Do you have copies of your statement?

Mr. ELWORTHY: I have detailed accounts here for four different companies; \$39,400-odd for Island Tug & Barge Limited; the Princess Mary Restaurant—

The CHAIRMAN: This is the sale of goods and services?

Mr. ELWORTHY: Yes.

The CHAIRMAN: I see. Do you hold any appointments in any instrumentalities?

Mr. ELWORTHY: Yes. I am a governor of the University of Victoria. I was appointed by the provincial government.

The CHAIRMAN: Yes. Is there anything further.

Mr. ELWORTHY: That is all.

The CHAIRMAN: Perhaps I could now ask for a motion to have this tabled and added to our record and appropriately reproduced.

Mr. BASFORD: I so move.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I second the motion.

Motion carried.

Mr. DIETRICH: We do business with the provincial government on a tender basis which is a matter of public record. I do not know whether Mr. Basford wanted that information or not. However, I have never been associated with nor have I ever received any direct revenue from a Crown corporation.

The CHAIRMAN: Thank you.

Mr. BASFORD: Even if that is public information, I am not familiar with it. Could we, therefore, have it tabled?

Mr. MORE (*Regina City*): Mr. Chairman, I just cannot agree with this witch-hunt which seems to be taking place. I think if a man has a firm and his business has been by public tender, this committee should not ask for all this nonsense and for a review of it. I cannot see what all this has to do with the bill before us, and I think this is the point Mr. Basford has in mind. Any member of the business community is surely entitled to engage in the supply of services which are asked for by the government on public tender, and there should be no suggestion that it will affect his ability to serve on the board of this bank. I object to this gentleman being asked to provide this sort of information to the committee.

An hon. MEMBER: Mr. Chairman, perhaps we should then ask Mr. Wallace how many ships he has bid on and did not get.

The CHAIRMAN: I think, Mr. More, there is a lot of merit in what you say. I was about to inquire whether that information was available—one gentleman thinks he has it available—but, as I say, I think the point is well taken and I think we are straying a bit far afield if we want to get details on matters involving the ordinary business of public tender. If members of the committee have specific questions in this regard which appear to pertain to the subject matter of the incorporation the bank we have before us, I will hear the question and deal with it. However, I think Mr. More has quite rightly said that we are going further afield than we need if we ask the sponsors before us to give full details of the business they do on the basis of public tender.

Mr. MORE: I am delighted to have agreement to my suggestion from a lawyer. This does not happen very often.

The CHAIRMAN: I am not making this ruling in my professional capacity.

Mr. J. A. G. WALLACE (*Provisional Director, Bank of British Columbia*): Mr. Chairman, I would just like to say, sir, that I have had no appointments over the past ten years from the provincial government nor received any kind of emoluments. I am a director of two companies which have done business with the provincial government. I have them listed here but, as you can appreciate, our business is highly competitive. I would be happy to have anybody look at this information but I would not be too happy to have it distributed as it may bring comfort to our competitors.

The CHAIRMAN: Just to clarify the matter, was this done on the basis of public tender?

Mr. WALLACE: It was all done on the basis of public tender. It is a matter of public record.

The CHAIRMAN: Thank you.

Mr. WALLACE: In the case of public tender, the tenders are opened in public.

The CHAIRMAN: I do not think anybody is questioning that but, without going into the details of confidential and ordinary business relationships, it may be reassuring to the public to know the nature of these transactions, and keeping in mind Mr. More's point, which I think was well taken.

We now have this on the record.

Mr. LAMBERT: Mr. Chairman, I would like to ask Mr. Mearns a question related to those I have been asking Mr. Gunderson. Both Mr. Mearns and Mr. Gunderson are on the board of directors of B.C. Hydro. How many directors are there on B.C. Hydro?

Mr. MEARNS: There are eight now, I think. One died recently.

Mr. LAMBERT: Mr. Gunderson, you are listed as an executive director.

Mr. GUNDERSON: There are four executive directors. There are two chairmen, Dr. Shrum and Dr. Keenleyside, who are also executive directors, and Mr. Mearns and myself.

Mr. LAMBERT: In other words, the authority is handled on a day to day basis by the four of you?

Mr. GUNDERSON: That is right.

Mr. LAMBERT: B.C. Hydro is constructing the Peace River dam and the Columbia River dam?

Mr. GUNDERSON: Yes.

Mr. LAMBERT: I see. Do you still agree that there is not much opportunity to influence the decision that B.C. Hydro will do its banking with the Bank of British Columbia?

Mr. GUNDERSON: I do not know. As I say, that decision would be up to the board of directors. As you know, companies use various banks and we are using two or three now. I do not know any reason why we should change but I may say that we are starting this bank and, as individual citizens, when we get it going we hope to get some accounts. We hope we might get some federal accounts, too.

Mr. LAMBERT: You are asking us to be very naive, Mr. Gunderson.

Mr. MEARNS: Mr. Chairman, could I correct the statement I made a moment ago as to the number of directors of B.C. Hydro? There are nine directors now.

The CHAIRMAN: There are nine directors now, thank you.

Mr. Lambert, are you finished with your questioning?

Mr. GUNDERSON: I would also like to make a statement regarding this. As I told you, there is one part of my duties that I am disassociating myself with and I also intend to resign as executive director within the next year. I am retiring. I am going back to my accounting practice and will only hold directorships on various companies. I am getting too old to work.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I am not particularly interested that the government accounts are deposited in the bank, I would have no objection to it and, in fact, I had no objection to the original proposal for the government's investment; not that I have any particular faith or confidence in the present government of British Columbia but I supported that original bill in the house.

My questions are in connection with your own career, Mr. Gunderson. I notice on the list of instrumentalities of the B.C. government that we have the British Columbia Electric Company. Now, as you undoubtedly know, there were many companies in that corporate structure before the British Columbia government took over the B.C. Electric. Is this one a continuing company?

Mr. GUNDERSON: If you will notice, it is shown there because I received a certain amount of remuneration in 1961 and that remuneration ceased then because it was taken over by the government.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): But you were a director of the original B.C. Electric Company before the government took it over?

Mr. GUNDERSON: No, I was not.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You were not?

Mr. GUNDERSON: No. Mr. Mearns was associated with the B.C. Electric Company for over 30 years but I was not.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You were not?

Mr. GUNDERSON: No.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Now, on your next list of directorships I notice that you were a director of the Black Ball Ferries Ltd. from 1957 to 1961.

Mr. GUNDERSON: Yes. The government did not own the ferry at the time I was a director. They took it over later.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is the point I was coming to; you were appointed a director in 1957 and four years later the provincial government took them over?

Mr. GUNDERSON: That is right.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Now, number 20 on your list of directorships is that of the Wenner-Gren B.C. Development Co. Ltd.

Could you give us any information as to what was the outcome of that enterprise?

Mr. GUNDERSON: The fiscal outcome was that they spent millions of dollars and nothing came of it. Eventually they spent a lot of money on the Peace River and they were taken over by the Peace River Power and Development Company and that company was eventually taken over by the province.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): By the province?

Mr. GUNDERSON: They were both taken over by the province.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You were a director of both of these companies, were you?

Mr. GUNDERSON: No, I was not. I was a director up to this date and then they were taken over by another company.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is all I want to ask just now.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, the provisional directors have been kind enough to give us their reports in French and English, so I would like to put my questions in French.

(*English*)

The CHAIRMAN: Perhaps those who may want to be involved in the questions could move forward to make use of the translation facilities which we have.

Mr. Gunderson, would you like an ear plug?

Mr. GUNDERSON: I will put it on, anyway.

(*Translation*)

The CHAIRMAN: I believe we can now resume the examination of the witness.

Mr. Clermont.

Mr. CLERMONT: Mr. Chairman, article 4 of the previous bill that was before the Senate Bill S-20.

(*English*)

When Bill S-20 was before the Senate, article 4 stated that the headquarters of the bank would be in Vancouver, but in Bill S-16 it says that the headquarters of the new bank will always be in British Columbia. Why was there a change? Is there an explanation?

Mr. GUNDERSON: I think the principal explanation would be that any bank that received a charter could move its headquarters to another province if that provision were not in the bill. The purpose of this bill is to have a bank in British Columbia.

Mr. BURKE-ROBERTSON: May I add something to that, Mr. Chairman? I understand, sir, in the new draft bill for the Bank Act, which is shortly to come

before the committee, that the directors of banks will be able to change the location of their head offices.

Mr. ELDERKIN: The shareholders.

Mr. BURKE-ROBERTSON: The shareholders will be able to change the location of their head offices. Mr. Elderkin is my source of information in this. This present section, which states that the chief office shall remain at all times in the province of British Columbia, will be overridden by the new Bank Act.

Mr. CLERMONT: But I understand that you intend to try to sell shares not only in B.C. but throughout Canada.

Mr. BURKE-ROBERTSON: Yes, throughout Canada.

Mr. LEWIS: Are you sure about it being overridden by the Bank Act?

Mr. BURKE-ROBERTSON: Yes. I see your point. For example, if the majority of the shareholders were outside British Columbia?

Mr. CLERMONT: Yes. Do you not think it would be some kind of discrimination against shareholders not residing in B.C.? I could understand if you were asking for some kind of a provincial bank but, according to what I have read in the proceedings of the Senate Banking and Commerce Committee in 1964, it is not only a provincial bank you want but a national bank.

Mr. BURKE-ROBERTSON: That is right, a national bank. It is quite true, in spite of what now appears in clause 4 of Bill S-16, that the new Bank Act, if the provision which I have just mentioned is still in force when Bill S-16 is passed, will override this clause. So, the majority of the shareholders, if they do come from outside British Columbia, will be able to change the location of the head office.

Mr. CLERMONT: Is that correct, Mr. Elderkin?

Mr. ELDERKIN: That is correct.

Mr. CLERMONT: Thank you.

Mr. ELDERKIN: As far as 17(1)(a) of the new Bank Bill is concerned, it gives the shareholders the power to change the head office of the bank.

Mr. CLERMONT: Clause 5 says: "A majority of the directors of the Bank shall be resident in the province of British Columbia." But in the bill for the Bank of Western Canada it said that a director has to be a Queen's subject and usually a resident of Canada. Does the present clause 5 mean that a non-resident can be a director of your bank?

Mr. BURKE-ROBERTSON: No, because the other provisions of the Bank Act would apply there. The qualifications of the directors are set out in the present Bank Act, which requires them to be residents of Canada. The reason for that provision, of course, is to retain the essential British Columbia character of the bank. If the bank is incorporated and eventually the directors, chief executive officers and head office all end up in Toronto or Montreal, the purpose of the incorporation is lost to a large degree.

Mr. LEWIS: May I ask a supplementary question, Mr. Chairman? Could they put that into practice? The shareholders elect the directors and it would be very inconvenient, I would assume, if the shareholders decided to change the

head office to Toronto and the majority of the directors lived in British Columbia. I am sure that would result in considerable dissatisfaction among the directors and executive officers.

Mr. CHATTERTON: Apart from that, though, suppose the shareholders elect a majority of directors who are not residents of British Columbia; what do you do then?

Mr. BURKE-ROBERTSON: If this provision is in the bill they would not be able to do that.

Mr. CHATTERTON: Which ones would have to step down? How would you determine that?

Mr. BURKE-ROBERTSON: Which directors would have to step down?

Mr. CHATTERTON: Yes. Let us say that the shareholders do elect a majority who are not residents of British Columbia.

Mr. BURKE-ROBERTSON: But they are required under clause 5 to elect a majority who are residents of British Columbia.

The CHAIRMAN: Do you mean that is a qualification and those outside the province could not stand for election?

Mr. GUNDERSON: Mr. Chairman, may I ask a question? Will that also be overridden by the new Bank Act?

Mr. ELDERKIN: No, it would not. This is an addition to the Bank Act, because it is specifically stated in that clause that it is incorporated by the Bank Act but—

An hon. MEMBER: If I may interject here, Mr. Chairman, it can be overridden if the Bank Act wishes to do so, because it says here that this is only effective as long as it not overridden by the Bank Act.

Mr. LAMBERT: Mr. Chairman, that is always a thought. Perhaps Mr. Burke-Robertson would consider this; that there is a question here to the effect that in addition to any requirement regarding directors by the Bank Act, it shall also be a requirement that a majority of the directors shall be ordinarily resident in the province of British Columbia. If it were done this way I think there would be no difficulty about it at all because, as we know now, the Bank Act goes further; it says that three quarters of the directors must be Canadian citizens ordinarily resident in Canada.

Mr. BURKE-ROBERTSON: The matter might be serious, that is your question?

Mr. ELDERKIN: May I interject? I do not think it is settled because that still applies anyway. That is the primary thing and this is the secondary thing.

Mr. LAMBERT: Mr. Elderkin, this is what I was trying to point out, that clause 5(1) should read "In addition to any requirements of the Bank Act, a majority of the directors of the Bank shall be resident in the province of British Columbia."

Mr. BURKE-ROBERTSON: That would take it outside the Bank Act.

Mr. LAMBERT: No, "in addition to".

Mr. ELDERKIN: I do not think it is necessary. I think the Bank Act governs the other part of it anyway. In other words, "Canadian citizens ordinarily resident in Canada" would still include British Columbia.

The CHAIRMAN: I just want to deal with the question of procedure here. It is now somewhat after 12.30. We could continue until 1 o'clock or we could adjourn now. In any event, I had tentatively scheduled another meeting of this committee after orders of the day today. As we know, the witnesses in support of the bill have travelled from British Columbia especially to give us the information we seek and I think, subject to the business of the house and so on, we should try to continue. Do you want to continue until 1 o'clock?

Mr. CLERMONT: We could adjourn now and come back after orders of the day. We could also sit tonight.

The CHAIRMAN: I think it was intended that we would come back after orders of the day, anyway. The matter I am raising now is whether we should continue until 1 o'clock or adjourn now.

Mr. BASFORD: I think that if we are sitting this afternoon we should adjourn now as we all have office work to do.

The CHAIRMAN: The meeting is adjourned until 3.30 or after orders of the day, whichever happens first. We will meet again in this room.

AFTERNOON SITTING

The CHAIRMAN: Gentlemen, I will call the meeting to order. We will proceed on the basis of an unofficial meeting for the purpose of taking evidence on the understanding that there will be no votes taken and so on until we are in a position to operate officially. I believe that when we adjourned—

An hon. MEMBER: If we recessed then we would not have to worry about a quorum.

The CHAIRMAN: One of our colleagues has made an interesting point. That if we recessed we would not have to worry about quorums. So we will assume that whatever we are doing is following a procedure that makes a quorum least necessary. I think we last had Mr. Clermont asking questions. Before calling on him again, I believe that the counsel for those supporting the legislation wishes to make some statements.

Mr. W. G. BURKE-ROBERTSON, Q. C.: I thought, Mr. Chairman and gentlemen, that it might be appropriate for me to emphasize at this point the willingness of each of the provisional directors to give the committee whatever assurance it might desire that they do not individually or collectively represent in any way, shape or form the provincial government. Just as an interesting sidelight on the evidence that was put in this morning with reference to Mr. Gunderson's association as an executive director of the B.C. Hydro, it has been drawn to my attention during the noon hour recess that Dr. Keenleyside, the co-chairman, is actually a director of the Toronto-Dominion Bank, so it would not be too easy to secure too much government business for this bank because he will be in obvious competition with his co-director.

The CHAIRMAN: It will be an interesting contest of personalities.

(Translation)

Mr. CLERMONT: In 1964 when the original bill was introduced in the Senate there had been some talk of some purposes and objectives for this bank. Are the purposes and objectives in 1964 the same as in 1966? If I remember properly it had been said that in 1964 a petition had been signed by 12,505 people voluntarily, enumerating the reasons why there should be a new bank with headquarters in British Columbia.

(English)

Mr. GUNDERSON: The petition merely showed that the bank was required and was desired by a certain number of people. The objects of why we want the bank are set out in the brief which we are presenting here.

(Translation)

Mr. CLERMONT: But are there the same purposes in 1966 as in 1964? There had been mention of the fact for instance, that the establishment of a large chartered bank having its headquarters in British Columbia would have as its primary purpose the economic expansion of that Province. Is this purpose still the same?

(English)

Mr. BURKE-ROBERTSON: It was the primary purpose of a national bank.

(Translation)

Mr. CLERMONT: It is a national bank. It is therefore your intention to offer the Canadian public as well as the people of British Columbia shares on the market?

(English)

Mr. BURKE-ROBERTSON: Yes, that is right.

Mr. MORE (*Regina City*): Mr. Chairman, I have a related question.

The CHAIRMAN: Mr. More, the procedure we have followed in the past was to permit a series of uninterrupted questions, unless Mr. Clermont wishes to yield.

Mr. CLERMONT: I will yield to Mr. More.

Mr. MORE (*Regina City*): Well my related question has to do with offering shares to the general public. I think, having to do with the original application, in a speech that was made in connection with this proposal Premier Bennett, I believe, said that the shares would be offered first to residents of British Columbia and only those that were not taken up by residents of British Columbia would be offered to Canadians at large. Is this still the intention of the gentlemen presenting this petition now?

Mr. BURKE-ROBERTSON: That is certainly what the premier said; I remember that.

Mr. MORE (*Regina City*): Is it still the intention that British Columbia residents will have the first opportunity to subscribe the capital of the bank?

Mr. GUNDERSON: No, it is going to be made a national bank, and anyone can subscribe.

The CHAIRMAN: I thought it was a related question. Mr. Clermont, will you proceed.

(Translation)

Mr. CLERMONT: If I come back to the subject, it is because in this bill most of the directors—in your report in French, page 13, it is stated that the greatest part of the administration will be carried out from British Columbia. What would be the interest of shareholders not living in British Columbia, how would they be interested in buying these shares if the main purpose of this bank is the welfare of British Columbia? You may say that the welfare of British Columbia is the same as the welfare of Canada, but for anyone living outside of British Columbia, what would be his interest in purchasing such shares?

(English)

Mr. BURKE-ROBERTSON: I would think, sir, it would be the same purpose as a shareholder buying shares of stock in the B.C. Telephone Company, which is a company servicing only the province of British Columbia or part of it. But that does not in any way discourage investors. They do not look so much to the general diversification of the company's business throughout the country as to the likelihood of making profits. So I would think the same motives would actuate the shareholders in the bank as would motivate intending shareholders in the B.C. Telephone Company.

(Translation)

Mr. CLERMONT: Do you think that the institution proposed Inco Progress will help the development of British Columbia as was represented before this Committee in 1964?

(English)

Mr. GUNDERSON: It will help all of Canada.

(Translation)

Mr. CLERMONT: In Section 3 with regard to the capital stock of this proposed bank, I think the amount is \$100 million. What amount will be raised before the establishment of this bank if it is adopted by Parliament, or approved by Parliament?

(English)

Mr. GUNDERSON: We will raise as much as we can.

(Translation)

Mr. CLERMONT: I am sorry if I insist on this point, but before the Senate Committee it had been stated that the capital stock of the bank would be subscribed in its entirety before beginning operations.

(English)

Mr. GUNDERSON: The authorized issue of capital is \$100 million but that does not necessarily mean that we would raise \$100 million right away.

(Translation)

Mr. CLERMONT: I understand very well, Mr. Gunderson, because in the case of the Bank of Montreal which is over 100 years old, it has an authorized capital stock of \$100 million. According to the 1965 report, only \$60 million has been subscribed, but I insist on the statement made, and if I remember correctly it was made by the Premier of the Province of British Columbia.

(English)

Mr. GUNDERSON: At that time the province was going to underwrite a certain amount of stock, and with that we figured the full amount could be raised. But, with them not coming in we do not expect to start right off with that large amount.

(Translation)

Mr. CLERMONT: In your report it is mentioned that the shares will be put on the market at between \$25 and \$30.

(English)

Mr. GUNDERSON: No, I am sorry. In our report we are suggesting \$20 or \$25.

Mr. BURKE-ROBERTSON: It is \$25 to \$30.

Mr. GUNDERSON: You are right, it is \$25 to \$30.

(Translation)

Mr. CLERMONT: This means that the difference between \$25 to \$30 will be in the reserve account?

(English)

Mr. GUNDERSON: Of reserved, right.

(Translation)

Mr. CLERMONT: My question, Mr. Chairman, is now addressed to the Inspector General of Banks. Am I right in assuming that at Section 6, sub-section 1, and Section 7, sub-sections 4 and 5, (a) and (b), that the proposed bill does not entitle any government or Crown corporation to purchase shares of this bank?

(English)

Mr. ELDERKIN: That is correct. No provincial government may purchase shares in the bank. You will notice in the bill that there is a provision that a pension fund, or like fund of a government, might purchase shares in the bank; but the total number of shares of any organization of this kind, with respect to any one provincial government, must not exceed 10 per cent of the capital stock of the bank, and it is non-voting.

The CHAIRMAN: At any time?

Mr. ELDERKIN: At any time.

Translation

Mr. CLERMONT: Will the proposed bank be established as a commercial bank, that is as a profit-making organization?

(English)

Mr. ELDERKIN: Because it falls under the Bank Act immediately.

(Translation)

The CHAIRMAN: Is that question addressed to Mr. Elderkin or to Mr. Gunderson?

Mr. CLERMONT: To Mr. Gunderson. Will the proposed bank be established as a commercial bank, as a profit-making organization?

(English)

Mr. GUNDERSON: It will be a bank under the Bank Act, and the purpose, of course, of any bank is to make profits for its shareholders.

(Translation)

Mr. CLERMONT: Mr. Gunderson, my question may seem strange to you, but one of the reasons invoked for the establishment of a new bank in British Columbia was that it was difficult for many people, businessmen or manufacturers, to obtain loans from the existing banks because their head office was either in Toronto or Montreal or Halifax. And that is the reason why I am asking you this—because if, as you say, your reply is yes, in what way will the proposed bank be able to grant more loans? Because what interests me is for the people or the small businessman to be able to obtain loans, whether it be from the new proposed bank or from an existing bank. This is what I am interested in. And if your reply is in the affirmative, what new method will the proposed new bank use in business administration, banking administration, to grant more loans? Or are you implying that because of the fact that the head office of the bank is in Montreal, certain people cannot obtain loans because they live in British Columbia?

(English)

Mr. GUNDERSON: I think that the testimony given by Mr. Coyne, at the time of the application of the Bank of Western Canada, pointed out several times that the west is a deposit area, in other words, more deposits go into western banks than are loaned out west. In British Columbia, with the Bank of British Columbia I think that there will be more money to loan out in the province.

(Translation)

Mr. CLERMONT: But, Mr. Gunderson, I think that we have manufacturers, small or large, in the east who complain that it is difficult to obtain loans. I am not saying in the present situation, but even three or four years ago, we have heard this criticism. It is not easy sometimes for them to obtain loans from

banks even if we live in the east. Even a bank situated in British Columbia will have to follow the principle that a loan is granted to a person or a business who can repay this loan.

(English)

Mr. GUNDERSON: When we get the charter the president and the chief executive officer of the bank will be an experienced banker. He would make bank loans in the same way as any other bank. He would not to make bad loans; he would want to make loans that he could collect.

As far as the administration of the bank is concerned, it will be left entirely to the president and the chief executive officer. The directors, I presume, might set out policy, the same as any other directors, but he will be running the bank, and will choose his own staff.

(Translation)

The CHAIRMAN: Thank you, Mr. Clermont.

(English)

The next name on my list is that of Mr. Chrétien.

(Translation)

Mr. CHRÉTIEN: I only have a few questions to put. When we heard the presentation, the request for a charter for the Bank of Western of Canada, the directors of the bank gave us information up to date on the capital structure. Could you tell me where the funds you have raised so far come from in respect of the operations of your bank?

(English)

Mr. GUNDERSON: The only funds so far have been put up by the five provisional directors.

(Translation)

Mr. CHRÉTIEN: Of what magnitude is that investment? Could you tell me that?

(English)

Mr. GUNDERSON: Just what is required under the Bank Act.

(Translation)

Mr. CHRÉTIEN: Could you give us exact figures in that regard?

(English)

Mr. GUNDERSON: It is about \$9,000 each. It is a little more than that.

(Translation)

Mr. CHRÉTIEN: Up till now, have there been any shares sold on the market?

(English)

Mr. GUNDERSON: No, it is not. We have not the authority to sell shares.

(Translation)

Mr. CHRÉTIEN: Have certain people taken any formal undertakings to that? Have they agreed, subscribed to shares of the bank? Has the bank accepted any arrangements like that?

(English)

Mr. GUNDERSON: None.

(Translation)

Mr. CHRÉTIEN: Are there any organizations such as the provincial government who would have taken any undertakings in this regard?

(English)

Mr. GUNDERSON: None whatever.

(Translation)

Mr. CHRÉTIEN: Do there still exist any links between your groups, . . . have there been any discussions between your group and the B.C. government?

(English)

Mr. GUNDERSON: No; none whatever.

(Translation)

The CHAIRMAN: Any more questions, Mr. Chrétien?

Mr. CHRÉTIEN: No, thank you.

(English)

Mr. LAMBERT: I have a supplementary question for Mr. Gunderson. With regard to the subscription by the provisional directors, what is the precise amount of shares that has been agreed shall be allotted to the original directors for their subscription?

Mr. GUNDERSON: Five thousand dollars for shares. That is required.

I might satisfy you by saying that it is not the intention of the original directors to buy shares cheaper than other people can buy them.

Mr. LAMBERT: There are no supplementary agreements.

Mr. GUNDERSON: None whatsoever.

The CHAIRMAN: I think it would be useful at this time, for the record, to ask Mr. Elderkin what has to be paid into the capital of the bank to permit it to get a licence, assuming it is approved by Parliament.

Mr. ELDERKIN: There would have to be \$1 million subscribed and at least \$500,000 paid in, and \$500,000 deposited with the Minister of Finance until such time as the certificate to commence business is granted.

Mr. LAMBERT: There is one year in which to do this, is there not?

Mr. ELDERKIN: There is one year in which to do it, and the Treasury Board has the authority now. Under the new bill, if and when it is passed it will be the Governor in Council who will have the authority to issue the licence. If it is not issued within one year the charter expires.

Mr. LAMBERT: Within one year of the granting of the charter, that is, of the passing of this bill?

Mr. ELDERKIN: That is right.

Mr. LAMBERT: In both Houses?

Mr. ELDERKIN: That is right.

Mr. LAMBERT: And royal assent?

Mr. ELDERKIN: And royal assent.

The CHAIRMAN: My list may not be exactly accurate, but the next name I have amongst those presently attending is that of Dr. McLean.

Mr. McLEAN (*Charlotte*): Mr. Chairman, my question has been answered.

The CHAIRMAN: If we have concluded our first round, I would like to recognize those who have not yet participated in the questioning. Mr. More?

Mr. MORE (*Regina City*): I have just one question. As I am not a resident of British Columbia you will, perhaps, wonder why I am interested but this question was asked when the Bank of Western Canada was before us. What, initially, do you expect to have in the way of branches, and can you tell us where they will be? Will you be starting with one in Vancouver only, or two?

Mr. GUNDERSON: I would say that that will be pretty well left to the president and his chief executive officer when he is appointed, because, after all, you just cannot open up branches everywhere and use up all your funds. The branches will be opened up as the bank can afford it and as we think they will be paying branches.

The CHAIRMAN: Mr. Lambert, on a supplementary question?

Mr. LAMBERT: The head office will be initially started in Vancouver?

Mr. GUNDERSON: Oh yes, the head office will be initially started in Vancouver.

Mr. MORE (*Regina City*): The only one you have definitely in mind at this moment?

Mr. GUNDERSON: Yes.

Mr. LAMBERT: You have not entered into any negotiations for the purchase or acquisition of a trust company, which trust company would furnish you with the basis, shall I say, of locale and branches, as, for instance—

Mr. GUNDERSON: No. We are here just to get a charter. We have not made any plans like that. Anything with regard to what the bank should do would be up to the chief executive officer and the president when he is appointed.

Mr. LAMBERT: To use a trite phrase, you are starting from square one?

Mr. GUNDERSON: That is right—and clean.

The CHAIRMAN: Before beginning our second round I should again ask to hear from those who have not yet been recognized. Mr. Addison?

Mr. ADDISON: Mr. Chairman, I would like to ask one or two questions. First of all, I would like to ask about the proposed method of share distribution. How do you propose to raise this?

Mr. GUNDERSON: Through investment houses.

Mr. ADDISON: Through investment houses solely, across the country?

Mr. GUNDERSON: Across the country.

Mr. ADDISON: Do the provisional directors envisage this type of operation as being a personal loaning operation, or a commercial operation?

Mr. GUNDERSON: The bank?

Mr. ADDISON: Yes?

Mr. GUNDERSON: It is going to be a bank, and it will operate the same as any other bank under the Bank Act.

Mr. ADDISON: Some banks utilize their funds more in personal lending than other banks.

Mr. GUNDERSON: Well, I would not know. I would imagine that would be up to the president of the bank, to see what type of loan would be the best loan.

Mr. ADDISON: You make more money out of a personal loan.

Mr. GUNDERSON: That is right.

Mr. ADDISON: Right.

Mr. GUNDERSON: I would imagine they would be principally commercial.

The CHAIRMAN: We are now beginning our second round and I would like to have members signify if they wish to participate. Mr. Basford has already done so. Perhaps the others will raise their hands.

Mr. Basford, you may begin.

Mr. BASFORD: I was interested in some answers which were given five minutes ago with regard to the fact the provisional directors have at this point put up \$9,000. Is that correct?

Mr. GUNDERSON: \$9,400 to be exact, I think it is.

Mr. BASFORD: They, in turn, will receive, on incorporation, 500 shares. Is that correct?

Mr. GUNDERSON: At whatever rate; we will possibly subscribe for more, but we will be paying whatever rate is set out in here. We are not going to pick up cheap shares.

Mr. BASFORD: I was curious, because that works out to \$18 a share, which is less than is anticipated they will be sold for.

Mr. BURKE-ROBERTSON: I think Mr. Gunderson subsequently mentioned the sum of \$5,000 for shares. The remaining \$4,000 was put up for the purpose of furnishing the Receiver General of Canada with the required Parliamentary fee of \$20,400 payable before the meeting of this committee today. This was done. But those moneys came from the provisional directors individually as did the other expenses that are being incurred today. It is \$5,000 each that has been paid in for shares.

Mr. BASFORD: And the other is being treated as a loan, or what?

Mr. GUNDERSON: The expenses of printing and the amount we put up we would expect to have returned to us when the charter was granted and money was raised. That is a legitimate incorporation expense.

Mr. BASFORD: It could be regarded as a loan for the promotion?

Mr. GUNDERSON: It could be, yes; a straight loan.

Mr. BASFORD: In line with Mr. Lambert's question this morning, I am wondering, Mr. Gunderson, whether you would undertake to the committee not to seek election as a director, or appointment as a director, or as an executive officer of the bank?

Mr. GUNDERSON: I will not be president, or chief executive officer, I can tell you that; but I do not see any objection to my being a director.

Mr. BASFORD: You will not undertake to this committee not to be a director?

Mr. GUNDERSON: What would be the purpose of me undertaking something like that? Is this a personal vendetta, or something?

Mr. BASFORD: No, it is not. However, if you were to make that undertaking I would immediately call for the question and vote in favour of the bill.

Mr. GUNDERSON: As I told you, I intend to withdraw from some of these positions by the time we get going.

Mr. BURKE-ROBERTSON: I think, Mr. Gunderson undertook this morning, or at least indicated this morning, that he intended to resign from his position as chairman of the fund-raising campaign for one of the political parties in British Columbia.

Mr. BASFORD: He undertook that he thought in a year or so he would be resigning.

Mr. GUNDERSON: Yes; and also as executive director of the hydro.

Mr. BASFORD: You are not resigning those positions to become a chief executive officer in the bank?

Mr. GUNDERSON: No, I am not. I am not a banker, and if you want to run a bank you must have people who know banking. I am not a banker.

Mr. BASFORD: Where did the idea for the bank come from?

Mr. BURKE-ROBERTSON: That question was answered, Mr. Basford, this morning. I indicated that the idea came from the government of British Columbia who requested these present directors to apply for incorporation.

The government subsequently dissociated itself from the application, and at the beginning of the present year the present directors, with the same bank name, applied to the Senate for incorporation.

Mr. BASFORD: Where did the provincial government get the idea for the bank?

Mr. BURKE-ROBERTSON: Perhaps some members of the provincial government could say, but I do not think the directors are competent to answer for what is in the minds of any of the members of the provincial government.

Mr. BASFORD: What are Mr. Gunderson's relations with Mr. Harry Stonehill?

Mr. BURKE-ROBERTSON: With whom, Mr. Basford?

Mr. BASFORD: Mr. Harry Stonehill.

Mr. GUNDERSON: No relations whatsoever.

Mr. BASFORD: I did not mean relations in a physical sense, or in a family sense.

Mr. GUNDERSON: Nor any relations of any kind. I saw the gentleman only once in my life.

Mr. BASFORD: It has been suggested in sworn evidence in Vancouver that it was his idea to promote a bank, and that this idea was communicated to the premier.

Mr. LEBOE: Mr. Chairman, I would like to raise a point of order. I think we are way off base. What advantage is it to this committee to know who got the idea for a bank? We are here to decide whether or not, on the evidence presented, we are going to grant a charter, or recommend to the house to have a charter granted. I think it is not—

Mr. BASFORD: Mr. Chairman, I think these are very relevant questions. Mr. Elderkin, this morning, when asked by yourself about the provisional directors, said that they had at least not gone to jail, which is perfectly true. But it is a proven fact that someone who has had close relationships with Mr. Gunderson has, according to sworn evidence, gone to jail—that is, Mr. Al Williamson; and Mr. Harry Stonehill was declared an undesirable by Canada and was deported. I think it is very relevant and material to this bill whether this sort of person should be a director of a bank which is going to raise \$100 million from the citizens of British Columbia.

The CHAIRMAN: I think the question, as originally phrased, did seem somewhat remote from the issue before us. I would suggest that you try to relate this type of question more directly to the issue which is whether or not this committee should recommend the incorporation of this bank.

To clarify this, are you suggesting that there is some thought being given to having Mr. Stonehill as a director?

Mr. BASFORD: I hope not and I have never heard that suggestion. The suggestion is that one of the provisional directors is a provisional director and that Mr. Gunderson will, in all probability, continue as a director.

Mr. GUNDERSON: The inference has been made that I had something to do with Mr. Stonehill, which is erroneous. He had something to do with Mr. Williamson, which you referred to.

Mr. MORE (*Regina City*): Mr. Chairman, I must object. I am not going to sit on this Committee if this type of thing is going to be allowed. As far as I am concerned, I have had no direct evidence that any of these gentlemen are dishonest in any way, or that there is anything in their background that makes them ineligible. They are here on a business proposition, under the terms of a federal act. I, for one, do not intend to sit here much longer if the Chairman is going to allow this type of questioning to go on, because this is not the purpose of this Committee.

The CHAIRMAN: I suggested to Mr. Basford that the question—

Mr. MORE (*Regina City*): I suggest you rule him out of order. Your suggestions do not seem to be getting you anywhere.

The CHAIRMAN: Up to this moment the members of the Committee have accepted my suggestions on the matter of procedural disputes, and I think the Committee would all agree that your absence would be a loss to it in its deliberations; there is no question about that.

Mr. MORE (*Regina City*): I have made my position clear and I do not intend to back down from it.

The CHAIRMAN: I do not think we are really having an argument, because I have already pointed out to Mr. Basford that, unless he can relate questions strictly to the issues before us, they are not questions which should be pursued. I do not think there is any issue here between Mr. More and myself and the rest of the Committee. That is why when Mr. Leboe raised this point, shortly before I would have done so myself, I asked Mr. Basford to relate his question very strictly to the issue before us, or, in effect, to pass on to some other area of questioning.

Mr. BASFORD: I suggest that the questions are relevant, Mr. Chairman, again, as I stated previously, in line with Mr. Lambert's remarks this morning, that he—

Mr. LAMBERT: I would like to have the relationship identified.

Mr. BASFORD: —and I am concerned that what the government has said is not to be done through the front door is not being done through the back door, and to show that Mr. Gunderson is a close and trusted confidant of the Premier, and for 14 years has acted in a number of transactions as the Premier's agent, and that by having him as the principal promoter of this bank, and as a provisional director and, in all probability, a director, we are, in fact, doing via the back door what is being prevented via the front door.

The CHAIRMAN: I think I can deal with that. We are trying to talk about two separate subjects at once. Perhaps inadvertently—and I say this with the greatest respect to my colleague, Mr. Basford, for whose ability I have always had the highest regard—the issue you have just stated now is somewhat different from the line of questioning regarding Mr. Stonehill. Perhaps inadvertently you have got yourself into the latter area when you intended being in the former area. I think with the former area, if I may say so, has more relevance to what we are doing here today than the latter one, unless, without too much rambling about, you can demonstrate otherwise to the Committee.

Mr. BASFORD: I will change my line of questioning and come back to it. This morning, Mr. Cameron was asking you about this list of directorships which we have given and your membership on the Board of Black Ball Ferries Limited from 1957 to 1961. When did the province of British Columbia acquire all the floating assets of this ferry?

Mr. LEOE: Mr. Chairman, I would like to know right now what relationship Black Ball Ferries Limited did, or did not do, with the Bank of British Columbia?

Mr. BURKE-ROBERTSON: In any event, the directorship ceased to exist about five years ago.

Mr. LEOE: I just do not see the relevance of this, Mr. Chairman.

Mr. BASFORD: Its relevance, Mr. Chairman, is that shortly after Mr. Gunderson became a director, the provincial government acquired all the floating assets of this company. If I may be allowed to pursue this line of questioning, Mr. Axel Wenner-Gren came to British Columbia for a promotional scheme, and Mr. Gunderson immediately appeared as a director of that company. The same is true of Peace River Power Development Company Limited. I think that Mr. Gunderson's relationship with the Premier is well known in British Columbia, and has been well documented over a period of 14 years, and if I am not allowed to prove it to this Committee, I think it is unfortunate. I am concerned with what Mr. Lambert raised this morning, and if Mr. Gunderson would give me the assurance I asked for a moment ago, that he would not be a director and would not be an executive officer of the bank, I would call for the question on the bill and have the other four directors go forward and incorporate.

Mr. MORE (*Regina City*): Mr. Chairman,—

The CHAIRMAN: I think we should, if possible, try to avoid taking up our time on unnecessary procedural discussions although, as a lawyer, I have always found them rather interesting.

I think, first of all, that it would not be proper to call for the question right now no matter what undertaking Mr. Gunderson gave us. There may be other members with questions they wish to ask, and we have to proceed to consider this bill clause by clause.

Intriguing as your suggestion may be, Mr. Basford, and helpful to us from the point of view of saving time, I do not know if it is procedurally correct, or acceptable, I should say. It may be correct, but I do not know that the Committee would accept it.

Secondly—and perhaps I am overstepping my own responsibilities as Chairman—I wonder if Mr. Gunderson would, in effect, agree with me when I say that he has never denied having a long acquaintanceship with the distinguished Premier of British Columbia?

Mr. GUNDERSON: No, I have not. I have known him for a long time, and associated with him in various things for a long time.

The CHAIRMAN: If I may say so—and again I may be causing some strain on my personal friendship with Mr. Basford, who is one of our most distinguished members of Parliament, irrespective of party—it seems to me, in view of what Mr. Gunderson has said, that a lengthy and derogatory discussion of his relationships and directorships may not really be necessary at this time. The Committee should be prepared to make an assessment of what Mr. Gunderson has just said in deciding what they want to do with this bill.

Mr. GUNDERSON: Mr. Chairman, I have said that we are not associated with the government in this bill, and if you would like the substantiation of the other provisional directors I am sure they will give you their opinions about it. We are in this on our own, and we have no commitment or relationship with the government on this application whatsoever.

Mr. BURKE-ROBERTSON: In any event, Mr. Chairman and gentlemen, there is nothing in the existing Bank Act and nothing in the new Bank Act that disqualifies a director of a chartered bank in this country from having friendly relations with a member of any government in Canada.

Mr. PUGH: I am not a member of this Committee, Mr. Chairman, but may I ask a supplementary?

The CHAIRMAN: I would be happy to recognize you, but I think that it might be a wise thing to give priority to committee members.

Mr. PUGH: My question is this: Do directors receive their appointment at the first shareholders' meeting?

Mr. GUNDERSON: Right.

The CHAIRMAN: Mr. Basford, do you wish to continue?

Mr. BASFORD: What funds do you intend investing in the bank, other than what you have already invested?

Mr. GUNDERSON: I do not know.

Mr. BASFORD: Why not? I am not trying to put you on the spot.

Mr. GUNDERSON: I am sure I will be very very much a minority shareholder.

Mr. BURKE-ROBERTSON: In any event, Mr. Basford, the limits of individual ownership of stock are set out in the Bank Act at 10 per cent—his holding will not exceed 10 per cent.

Mr. BASFORD: That is very true. It would seem to me that five people getting together to form a bank would have projected what their personal investments were going to be.

Mr. MORE (*Regina City*): Mr. Chairman, I would want to know how far you are going to allow this to go, and want to know pretty soon. I do not know if there is anything dishonourable or illegal about being a personal friend of a premier, and having done business for the government of any province.

The CHAIRMAN: Mr. More, I think we have got away from that point, and I, for one, am not taking these questions as suggesting, one way or another, that there are inferences which reflect unfavourably on this application. I gather, we are now in another area, the source of funds for investment.

If any member of the Committee considers that type of question to be out of order I wish they would state the point clearly, and their reasons, and I would be prepared to rule on it.

Mr. BASFORD: It certainly is a very, very proper question. When Stevens was here with the Bank of Western Canada he was asked how much money he was putting into it, how much his wife was putting into it, how much his mother-in-law and his great-grandmother. Surely that is a proper question.

Mr. BURKE-ROBERTSON: They had already put the money in.

Mr. BASFORD: And how much they were going to put in.

Mr. MORE (*Regina City*): It came in in the form of a trust and therefore the information was available.

The CHAIRMAN: Order, please. I suggest that we not allow the lack of consensus on the questions about relationships with people in government to flow over to questions about the financing.

If a member of the Committee feels that questions to provisional directors about their intentions for future investment are out of order, I wish he would tell me, and perhaps assist the Chair in distinguishing that type of question from the ones which I know were asked with respect to the Bank of Western Canada. I do not have in front of me the text of the questions which we dealt with, and I would appreciate the assistance of—

Mr. LAMBERT: I can put you straight on that, Mr. Chairman. With regard to the Bank of Western Canada, the holdings of the Stevens family were all clearly indicated on schedules of holdings in the various related companies, and also in the amounts that were held in certificates of trust for the ultimate issuance of shares; and there was never any questioning on to what this director or that director—whether it was Mr. Stevens, Mr. Coyne, or Mr. Bodie—was likely to make. It is obvious to me that you do not know that you are going to liquidate these assets or those assets, or that you are suddenly going to acquire money to invest in this particular bank. I am sure that if there is a call made on the provisional directors for some additional financing, they will have to assess their position in regard to their own assets and what they think, as businessmen, it is worth. But to say to a man, "Are you going to invest another \$50,000 or \$20,000"?—is highly improper.

Mr. DIETRICH: I think that we can answer it, though. I know that I, as an individual, am going to try to subscribe for all the shares that I can properly take up, because I think it is a good investment, and it is good for the province.

Mr. ADDISON: Mr. Chairman, I asked, but perhaps not quite fully, the method of distribution of shares. You say it is going to be done through investment houses across Canada. I think what Mr. Basford is talking about is that if the two managing directors of the British Columbia Hydro and Power Authority each take down \$10 million worth of shares that constitutes 20 per cent of the proposed bank, and absolute control—there is no question of that. This is what Mr. Basford is asking.

Mr. DIETRICH: Mr. Chairman, there is certainly no intention at the present time on my part to have any shares that I cannot buy myself. The shares which I am going to own are going to be shares which I buy myself, and that is all.

Mr. GUNDERSON: And that is all I am going to own—those I buy myself.

The CHAIRMAN: I think the witnesses before us have, in a sense, helped clear up the point of order.

It would seem to me that insofar as the witnesses are able to state their present intentions—as they have done—this type of question is not improper. To try to pin them down to plans which they might make in the indefinite future, which they do not have in their minds at the present time, is, I think, somewhat unfair. As I say, the witnesses have, in effect, helped resolve the point of order by stating their plans and intentions at the present time.

I think Mr. Addison's point has some relevance. Again I want to say that we should not allow emotional reaction, which some of us may have about the validity of certain other questions about relationship, to colour our judgment on other questions dealing more with the financial aspect. Mr. Addison's point, I think, was that evidence that can be brought forward with regard to intentions for investment at the present time helps illustrate to the Committee what the control of the bank is likely to be; and I think this would be most useful

evidence, if we can have it. If the witnesses before us have, in effect, straightforwardly—and I think they have—given their intentions at the present time, I think this is about as far as we can go, unless some member of the Committee has some evidence to the contrary, which they can properly bring forward. But I think the witnesses have, in effect, dealt with the point, and it seems to me that if we keep within this narrow ambit we are not being unfair.

I think Mr. Basford was still continuing.

Mr. BASFORD: The bill authorizes a capitalization of \$100 million. What do the directors consider would be necessary to be raised to get the bank into proper operation?

Mr. BURKE-ROBERTSON: I think that has been answered.

Mr. BASFORD: No; the answer was with regard to what has to be raised to meet the legal requirement of the Bank Act. Surely the directors have an idea whether they want to start with an initial capital of \$20 million or \$50 million.

Mr. GUNDERSON: I can assure you that we would not start unless we raised more than another bank which secured their charter recently.

Mr. BASFORD: Could I have an explanation of that answer?

Mr. GUNDERSON: That is the answer.

Mr. BASFORD: To which bank are you referring to?

Mr. GUNDERSON: I noticed that one bank sold, I believe, \$8 million worth of shares.

The CHAIRMAN: If you are referring to the Bank of Western Canada—

Mr. GUNDERSON: They put in \$13 million, but I believe the shares issued were 8 million at par and 5 million surplus.

Mr. BASFORD: Yes; but what do the provisional directors want to raise as a minimum, for the Bank of British Columbia?

Mr. GUNDERSON: It depends on what we can raise.

Mr. BASFORD: Surely at this point you have taken the advice of investment counsel and have some idea of what you can raise.

Mr. GUNDERSON: I would say somewhere between \$25 million and \$50 million.

Mr. BASFORD: I do not understand promoters of a bank, or any other business, who do not have something of a definite target for initial capital. My business experience is limited, but it is not so limited that I have never met a group of business promoters who did not have in mind that to get a proper business going they were going to need \$100,000 or \$1 million, or \$10 million. I do not understand such a wide target as from \$25 million to \$50 million. Surely the initial capital you can raise on the market is going to have a very profound effect on the first five years' operation of this bank, and what it can do for the province of British Columbia; and I would like to have some idea what that figure is.

Mr. BURKE-ROBERTSON: I think the question has been answered, Mr. Chairman. Subsequent to the answer, Mr. Basford commented on it, that he considered that it was an unusual thing for any promoter to have such a wide

range in mind in the way of promotion of bank. But I think the answer is there—it is on the record—and I do not think it is Mr. Gunderson's intention to change it.

Mr. GUNDERSON: No. It depends on the market at the time, the supply of money and how it is available.

Mr. LAMBERT: Could the interpretation be put on that, that you would take \$25 million, but you would sure love to have \$50 million?

Mr. GUNDERSON: That is right. We would love to have \$100 million.

Mr. BASFORD: As I understand it, it is your plans to build a 55-storey head office building in Vancouver?

Mr. GUNDERSON: It is not.

Mr. BASFORD: What are the plans?

Mr. GUNDERSON: We will rent office space, where we can find it, for what we require.

Mr. BASFORD: Do I take it that the announcements that were made 2 years ago when the bill first appeared as a provincial bill, that there would be a large 55-storey building, as announced by the Premier, have been cancelled and are not part of the presentation of the Bank of British Columbia?

Mr. GUNDERSON: We do not intend building a building until it is required. We will rent space.

Mr. BASFORD: Do I take it then that the premier's plans for a 55 storey building are out the window?

Mr. GUNDERSON: He made that statement when they were going to participate to the extent of 25 per cent. I think this building will be built but, if you follow this, it will be built on government property and the income from the rentals of the building will go to the universities of British Columbia. That is the purpose of the building and it has nothing to do with us whatsoever. If they erect a building we might possibly rent office space in it.

Mr. BASFORD: What did the provisional directors anticipate their initial office requirements to be?

Mr. GUNDERSON: I would want to wait until we appointed a president and chief executive officer and leave that to him.

Mr. BASFORD: That again seems strange because I was connected with the promotion of a bank as a sponsor and they had, in that case, very definite ideas on what their office requirements would be because it was a very definite estimation in the calculation of their projected costs and their projected profitabilities.

Mr. GUNDERSON: Was that a near bank?

Mr. BASFORD: No, it was not a near bank.

Mr. GUNDERSON: Was that Laurentide?

Mr. BASFORD: Yes.

Mr. LAMBERT: Those plans seem to have all gone astray. There must have been some miscalculation.

Mr. MORE (*Regina City*): It must have been the representative.

Mr. GUNDERSON: You could ask the power corporations.

Mr. BASFORD: I find it strange that when the bank first comes down here it has very definite plans for a 55-storey building. When it comes down again it has no plans at all for office accommodation.

Mr. GUNDERSON: The government were in on the other matter and they are not in on this. We are speaking of ourselves and we cannot afford to build a building.

Mr. BASFORD: No, but surely it would be in your own interest to know what sort of office space you will require.

Mr. GUNDERSON: We will commence with the minimum amount of space and expand as required. That will be up to the president and chief executive officer and it will depend upon how fast he can build up a safe banking business.

Mr. LAMBERT: My questions are directed to Mr. Elderkin and they deal primarily with the present section 6 of the bill, which incorporates an amendment that had been put in to the Bank of Western Canada bill and which now forms part of sections 52 to 57, I believe it is, of Bill C-222. In section 52, which is the counterpart to section 6, there is a material difference in the wording. Perhaps Mr. Elderkin would explain what is being achieved by the change in wording.

Mr. ELDERKIN: The difference, Mr. Lambert, is that in Bill C-222 there is a provision that funds of a province such as pension funds, workmen's compensation funds, and the like, may invest in bank shares. This was not permitted in Bill No. C-102, from which these provisions were taken. This is an additional provision which provides that all such funds of a province may not exceed 10 per cent of the total shares of the bank and they are to be non-voting.

Mr. LAMBERT: In effect, section 6 is only, shall we say, an interim measure until the Bank Act has been passed?

Mr. ELDERKIN: That is right. These provisions, in the case of the Bank of Western Canada, were put in to take effect until such time as the Bank Act is passed.

Mr. LAMBERT: It is not anticipated this Bank will be operating prior to the coming into force of Bill No. C-222. There is a very definite deadline on that Bill.

I would like to continue with a question to Mr. Gunderson. Mr. Gunderson, there is a provision in the new Bank Act that there shall be no, shall we say, interlocking directorships between those chartered banks and any deposit receiving institutions, to use a general term. Are you or any of your associates directors of any trust companies, other than what is indicated in your brief, or on the advisory boards thereof or have you any connection with, shall we say, any of the near banks?

Mr. GUNDERSON: Personally, I have no connection whatsoever.

Mr. MEARNS: I have one with Canada Trust but that is all I have.

Mr. LAMBERT: This question might be addressed to Mr. Elderkin. Does a position on the advisory board come under the ban?

Mr. ELDERKIN: No, only a director. Section 91 does not take effect, Mr. Lambert, until the limit on the loan rates of interest is lifted altogether.

Mr. LAMBERT: I grant you that, but I am also looking to the fact these gentlemen may become permanent directors of these banks. I want to get it clarified with regard to the whole of the section. Referring back to what Mr. Basford has attributed to me, the point I am getting at is that this should not become a house bank or a captive bank for emanations of the government of the Province of British Columbia either directly or indirectly. I do not have to spell it out any clearer on that.

Mr. GUNDERSON: We can answer it just as clearly.

Mr. LAMBERT: It does not have to be done through direct shareholdings or anything. It is a matter here of really, interlocking positions or the fact that it came down under an aegis. I must say I think if the wrong things were to happen naturally one could take a very dim view of it and it would not necessarily operate to the benefit of all concerned if this were to be the case, if the Bank of British Columbia were to become, shall we say, a house bank for B.C. Hydro and P.G.E.

Mr. GUNDERSON: I am sure there is no intention of that, Mr. Chairman.

Mr. WALLACE: Mr. Chairman, could I say a word here as probably the most independent member of this provisional directorship by reason of the fact that I do not hold a governorship in any university. These questions that have been brought here today, of course, have been subject to a great deal of study amongst this particular group. When we decided to approach this committee and the Senate as an independent body, dissociating ourselves from the government and the government having no part in the bank, we did consider our individual positions, particularly those of Mr. Gunderson and Mr. Mearns. We felt, as a lot of the initial work had been done by ourselves and a great deal of time had been put in, that had we all withdrawn and another five men were sent down here you would probably be looking for the same thing by reason of the fact the government first proposed this bank. So, we felt that the questions, in part concerning Mr. Gunderson and Mr. Mearns, are absolutely out in the open, in the clear. We discussed this very clearly and decided that because of our original involvement it would be worthwhile to continue as we have done. I can assure you, sir, that anything which has been brought up today has been considered at least in part. There were certain questions raised by Mr. Basford which were not considered by ourselves because they were not deemed relevant. These things have all been considered and this is the reason we are here as the same group. I think you would agree if another group had come down you would have been looking for the same thing.

Mr. LAMBERT: Yes, I would say it was a case of original sin here.

The CHAIRMAN: I did not know the committee had this much of a fundamentalist tinge to it. Now, would you state your name for the recording device?

Mr. John WALLACE: My name is John Wallace.

Mr. ADDISON: Mr. Chairman, may I ask Mr. Wallace a question?

The CHAIRMAN: Yes.

Mr. ADDISON: Mr. Wallace, when were you brought into this banking group with the four other provisional directors?

Mr. WALLACE: Some three years ago at the request of Mr. Bennett. He asked me if I would be interested in becoming a provisional director of what was then going to be the Bank of British Columbia, with a 25 per cent interest held by the provincial government.

Mr. ADDISON: When you were approached were other people approached as well, other than the other four gentlemen?

Mr. WALLACE: To be quite frank, I met the premier in the Union Club in Victoria and he extended his invitation at that time.

Mr. CHAIRMAN: Mr. Clermont is next to be recognized.

Mr. CLERMONT: I will pass this time.

The CHAIRMAN: Mr. Colin Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I am not quite clear as to what Mr. Lambert meant by the bank possibly becoming a house organ of the emanations of the Crown in British Columbia. Of course, by law such bodies would be prohibited from owning more than a very limited amount of stock in the bank, if that were the purpose. If he has in mind the possibility of large deposits in the bank from government bodies such as the hydro authority, PGE and so on, the question I would like to ask Mr. Elderkin is this. Would the presence of such large deposits in any way inhibit your control over the operations of this bank? Does the source of the deposits of a bank in any way affect your control over its operations?

Mr. ELDERKIN: No, not that source of the deposits, Mr. Cameron. Sometimes we must look at whether the deposits are liable to be volatile or not, and this is in relationship to the liquidity of the bank as a whole. Otherwise the answer is no.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I do not know if you are in a position to answer this, although I had it answered for me privately by another official. In your opinion do you think that the existence of large deposits of this sort, or the ownership of shares up to the legal limit by provincial government authorities, would in any way interfere with the federal government's control over monetary policy?

Mr. ELDERKIN: I will answer your question in two parts, Mr. Cameron. As far as the deposits are concerned, no. I might add to that by saying in the normal course of events no business operation wants to keep large deposits for any length of time with a bank. They can easily employ them very much more profitably in other ways. As far as the government authority or agencies owning shares in the bank up to the maximum of 10 per cent for all such agencies in the province is concerned. I mentioned earlier in reply to Mr. Lambert that these would be non-voting shares and would have no effect on the management of the bank.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): They would not in any way constitute any danger to the federal government's authority?

Mr. ELDERKIN: No, I do not think they could.

Mr. CAMERON: (*Nanaimo-Cowichan-The Islands*): Thank you.

Mr. LAMBERT: It is a matter of common knowledge though that the presence of certain lucrative accounts in the portfolios of certain banks in the past have proved to be the lever by which certain action was promoted by the bank or certain actions were inhibited by the bank.

Mr. ELDERKIN: I would put that on the other side of the balance sheet, Mr. Lambert; it was not the deposits so much as the loaning business. This is a very important asset and a very important earning factor for the bank.

Mr. LAMBERT: When I say the account, this includes the current and chequing accounts and the loans that they make. I know very well when in the past because a staff bonus was going to be proposed that a certain director said, "Over my dead body. If it goes through I will pull all these accounts out."

Mr. ELDERKIN: I never heard of that.

Mr. LAMBERT: This goes back 20 years and let me assure you there was no staff bonus.

The CHAIRMAN: Is there anyone else who is a regular member of the committee who has not yet participated in the second round? If not, I propose to recognize Mr. Deachman who has a right to ask questions under the rules governing the operation of committees.

Mr. DEACHMAN: Mr. Chairman, I would like to direct a few questions to Mr. Gunderson. Mr. Gunderson, you will recall that in Mr. Clermont's questions he asked if it is true that British Columbia or the west is indeed short of available loans because banks have their head offices in the east, and this is one of the reasons for the establishment of a bank in the west. The question I want to put to you is this: can you recall an incident in your business experience and as a chartered accountant where a loan or loans have been refused in British Columbia or in the west and where loans of a similar rating have been accepted in eastern Canada?

Mr. GUNDERSON: I could not express an opinion on that. I have no knowledge.

Mr. BURKE-ROBERTSON: That is a view that is commonly held.

Mr. DEACHMAN: Is it held with any legitimacy? I want to know whether or not there are any instances which can be quoted by any of the provisional directors to substantiate that view.

Mr. BURKE-ROBERTSON: I do not think, sir, there is anyone here today who can give you any specific examples. I do know this was the subject of question and answer in the Senate at the time when the bank was first proposed and the premier and Mr. Bonner gave evidence. They both gave that opinion. I have forgotten whether at that time they gave instances or not.

Mr. CLERMONT: They refused to give names, though.

Mr. BURKE-ROBERTSON: As I say, I do not recall if any instances were given at that time.

Mr. CLERMONT: I went through Book No. 1 and when the premier was asked to mention names he refused.

Mr. BURKE-ROBERTSON: It was not easy. We are not in a position to establish that as a fact.

Mr. DEACHMAN: So you really cannot establish that this is so. You are not aware, through your own knowledge, that this has been the case? Mr. Gunderson?

Mr. GUNDERSON: No.

Mr. DEACHMAN: To your knowledge it has not been the case.

I want to put the same question to Mr. Dietrich because in his capacity in the machinery business he has had to deal with loan capital a good deal. Do you think, from your business knowledge, that this is a fact? Have you run across instances of this?

Mr. DIETRICH: I would not know.

Mr. DEACHMAN: Mr. Elworthy, can you add anything to this?

Mr. ELWORTHY: I can give a personal observation. One of the local managers of a certain bank was promoted along the line and he was put in charge of the Ontario district. I dropped in several years later and paid my respects to him. He said, "It is too bad you are not living in Ontario, Hal; I could extend you any credit you like". I have not had this offer in British Columbia. When you have your headquarters and bank, the bank would know your business, and you are in closer touch with it. This particular man was from British Columbia, he knew my business and he made me feel quite at home. As a matter of fact, I was able to borrow a million dollars later on.

The CHAIRMAN: Could you give the name confidentially to us?

Mr. WALLACE: Mr. Deachman, I find it hard to answer what you are asking. I have spent the past year travelling fairly extensively through the province with the Chamber of Commerce and everywhere I went, where people were aware of the fact that I was a provisional director, they had obviously given some thought to the fact. They, as residents of British Columbia, felt that the province had now developed enough that we should have our own bank. This is the feeling of the people of British Columbia. I never, at any particular time, heard too much grousing about the banking system as it exists, but I think people throughout the province, as they considered the fact that we may have a bank of our own, have all come to the conclusion that this would be a major step forward for British Columbia; and, also, with headquarters in Vancouver it would be more readily identified with the activity and the growth which is going on in the province.

I think you will agree that there is a certain remoteness in dealing with a head office, such as in Montreal, which is involved in the complicated economy of this particular area as against being situated right in Vancouver and very close to the situation that we live with out there. This seems to be generally the feeling of the people of the province. It did not tie itself in with beefing about

the current bank system but people generally felt it would be a good move in British Columbia to have our own bank if this was feasible.

Mr. DEACHMAN: Well, Mr. Wallace, this leads me to my next question. I quite concur with you, that it would probably be a very desirable thing to see one or more banks developing with their head offices in western Canada. But, I want to see whether or not I can establish from witnesses here just what is their philosophy with respect to the functions of that bank which is going to make it a bank of better use and of more dynamic value, to use a famous British Columbia word, than banks which have their headquarters in eastern Canada. I point out that none of the witnesses here have been able to establish the fact that indeed the eastern banks discriminate in their loan policies. In fact, it does not appear that that is so at all. If there is not discrimination what is there about the proposed branch that is going to make it serve the public better than banks which are now in British Columbia serving the public.

Mr. BURKE-ROBERTSON: I think I have indicated this, without having to give any specific instances with respect to what you mentioned; nevertheless this is the firm conviction, and perhaps an example is the one just given by Mr. Elworthy. I think you surely appreciate the difficulty of relating the refusal of a loan in Vancouver to the acceptance of a loan of the same amount and the same rating in Toronto. Do you follow what I mean? That is; it would be almost possible to furnish you with any concrete examples; that is, examples more concrete than what Mr. Elworthy has already given you.

The ACTING CHAIRMAN: Mr. Deachman, I would have interrupted you before you placed your question but I was not sure if it required a fairly lengthy reply. Because there may be some extended discussion on this area of philosophy, may I interrupt you to have the Committee deal with a matter of procedure.

First of all, we want to decide how late we can sit before we adjourn for the supper hour. Perhaps more important—and I do not want to have the committee adjourned—I should inform the Committee that unfortunately I have to take a plane at 6.45 so I can attend some meetings in my own city of Windsor on housing first thing in the morning; I was chagrined to learn that our capable vice-chairman is ill, confined to bed at home, and will be for several days. So, I want to exercise my prerogative as Chairman and name as acting chairman in my absence, John Addison. I would like to invite him to take the chair at this time and to excuse myself even though I find the discussion up to now stimulating and challenging. We may resume again this evening, but I will abide by your wishes.

Mr. Addison would you mind taking the Chair? I am sure members will give him the same co-operation that I received from the Committee up to now. It is a very interesting discussion.

The ACTING CHAIRMAN: This has to be the fastest promotion of all time. I was just placed on the Committee about three o'clock and now I am the acting chairman.

Should we decide what time the Committee would like to recess for the dinner hour. I gather that we are planning on meeting later on this evening.

Mr. LEBOE: Do you have any idea how much longer the Committee would like to sit?

Mr. MORE (*Regina City*): I suggest that we go to six o'clock now, Mr. Chairman.

The ACTING CHAIRMAN: Is the feeling of the Committee that we continue until six o'clock?

Some Hon. MEMBERS: Agreed.

Mr. DEACHMAN: Mr. Chairman, the witnesses now have had a moment to consider my last question, and I would like to put it again. I want to see whether or not we could get an expression of what is the basic intention and the philosophy of a bank in western Canada or in British Columbia beyond the business of making a profit and being a legitimate enterprise in the community.

Mr. GUNDERSON: One thing I might say, as we mentioned in our brief, we did not question whether the present banks are doing a good job but to carry your question to the extreme, why should there be more than one bank in Canada?

Mr. DEACHMAN: Sir, I think when you gathered together as a group of directors your intentions could not have been simply to gather around the table and say, "Let us form a bank and make money". I think you must have had other intentions, and I think there must have been in your minds when you discussed the whole project some conception of the value of this in the economy of British Columbia and what this bank was going to do for British Columbia that was not already being done by the existing banks. What I am trying to get at, and what I have not yet found expressed from witnesses, is the basic philosophy of the founders of this bank?

Mr. GUNDERSON: Well, when we originally put in our application, as you know, there was another application from another bank in British Columbia; they felt the need of a bank there and they thought it would succeed. There was the Bank of Western Canada; they thought they needed a bank, and that it would succeed. We were only one of two from Vancouver. Now, the other bank has withdrawn so it is all the more reason why we should have the Bank of British Columbia operating.

Mr. MEARNS: I think one of the main answers to Mr. Deachman's question is the fact that with the bank headquarters in Vancouver and with the majority of directors in Vancouver, with the President and the chief executive officers in Vancouver, that they are going to be that much closer to the requirements of the industry and the people of the province of British Columbia. As a matter of fact I think they could help the other banks because the other banks will be forced to give their own regional offices more power to deal with it. As I understand it, each bank has a ceiling on the amount of money they can loan out in British Columbia. I think it is just good competition and I hope, Mr. Deachman, as a citizen of British Columbia, that you are for this bank because it will certainly benefit the business and people of the province.

Mr. GUNDERSON: And disregarding banking, men are generally conditioned by the environment of the region in which they are living.

Mr. DEACHMAN: Mr. Mearns, do you want to add to that definition?

Mr. MEARNS: Well, I do not know, Mr. Deachman, I think that certainly the Bank of British Columbia will have a better knowledge of the small

communities of the province. The executive personnel of the bank will have a better knowledge of the local conditions, being closer. We think that loans will be considered more carefully and the situation will be met more adequately.

Mr. LEBOE: Perhaps, Mr. Chairman, I could point out, from my own experience, that there is not one big businessman in British Columbia who has not at one time had to get on a plane and go all the way to the head office at Toronto or Montreal to get the service they want. I have had that experience myself and I was only in a small business. This happens to all of them. I can think of a dozen people right now, offhand, in my own constituency and my own home town who have had at some time to pack up their bags and go direct to Montreal or Toronto because they could not deal in Vancouver; they were not allowed to go as high as they wanted to go, and they were afraid to look at it. I think one of the big things, so far as the small operators are concerned, is a British Columbia-oriented bank right there, where you can get decisions.

Mr. DEACHMAN: I am very grateful for your testimony but at the same time I would like to hear from the provisional directors on this subject.

Mr. BURKE-ROBERTSON: We, sir are in a preferred position to say.

Mr. MEARNS: We tried, as well as we could, to test the local situation in British Columbia and it just seems that if the local bank managers—we had this impression—were reporting to Vancouver or some centre in the province they would probably have more responsibility; they would have the feel of the situation and they could meet the requirements of the people more quickly.

Mr. DEACHMAN: Branch bank managers now in British Columbia have a loaning capability of how much, Mr. Mearns?

Mr. MEARNS: I do not know. I imagine it depends on the size of the branch.

Mr. DEACHMAN: Can any of the directors answer that question?

Mr. ELWORTHY: Well it is pretty tight right at the moment; I can tell you that.

Mr. DEACHMAN: I want to ask some questions now about the depositors of the bank. Who will be the principal or prime customers or depositors of the bank when it is formed?

Mr. GUNDERSON: We do not know. We have no commitments nor has anyone made any commitments to us as to whether or not they will be depositors of our bank. We are hoping we will get a considerable number.

Mr. DEACHMAN: Would you anticipate that the province of British Columbia would be a depositor or customer of that bank?

Mr. GUNDERSON: I do not know. They deal with various banks. I hope we get some of the government's business; I certainly hope so—and we will try and get it.

Mr. DEACHMAN: How about the liquor commission? Would you anticipate that they would be a prime depositor with you?

Mr. GUNDERSON: I have not any idea.

Mr. DEACHMAN: How about the hospitals?

Mr. GUNDERSON: I could not tell you; I do not know.

Mr. DEACHMAN: When you as directors settled down to estimate and to calculate what size of bank this would be and what kind of business it would do, was the question of depositors discussed, and who they might be? There were no questions asked?

Mr. GUNDERSON: No.

Mr. DEACHMAN: Mr. Gunderson, is it true from what you have said here to us today that you indeed do not know what your office space will be; that you cannot bracket your capitalization between \$25 million and \$50 million; that you do not have an idea of who your depositors will be, and you are coming before a committee of the House of Commons to ask them to incorporate the bank? I find it strange that you come here without certain information. I came to the meeting this afternoon, not as a member of this committee but as a very interested British Columbian. I was anxious to obtain from the directors an expression of confidence. I am shaken by the fact that I am not getting any information at all, and also that there seems to be some very sizeable gaps in the information that you gentlemen have. I wonder whether or not you could help me and other British Columbians by being a little firmer about what the proposition is, Mr. Gunderson?

Mr. GUNDERSON: First, with regard to some of your questions, we would have to satisfy the Treasury Board. Would we not, Mr. Elderkin?

Mr. ELDERKIN: Which points?

Mr. GUNDERSON: That we were capable of carrying on. Now, as to office space, when we first start we will appoint a president and chief executive officer and he would have a small staff. Maybe he would have one branch. Then, as he opens another branch he would have to enlarge it. But you would not open branches until you figured they would pay for themselves. The growth and the size of your office, in consequence, would depend upon the growth and size of the bank.

Then, you mentioned the great gap between what I said, \$25 million and \$50 million. Certain dealers or investment houses have told us that we will have no trouble raising \$25 million. We think we can raise \$50 million, so that is the reason for the gap there.

Mr. DEACHMAN: I am finished for the moment, Mr. Chairman.

The ACTING CHAIRMAN: Thank you. Mr. Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Elderkin, I wonder if you could throw some light on this question as to the distribution of credit between British Columbia and say, Ontario. I see, every now and again, in the statistics I study, reports of the total savings of the Canadian people, the proportion of our GNP that is saved. Now, is it possible to isolate in the deposits of a chartered bank those elements that could be constituted as genuine savings as apart from loans that are deposited again? The reason I am asking this is that if that were possible then it would be possible to establish a ratio between genuine savings deposited in a chartered bank in British Columbia, the level of credit extended by that bank and the ratio between the genuine savings in the same bank, possibly, in Ontario and the level of credit extended by that bank in

Ontario. By this means we could see whether the savings of the British Columbian people are to some extent the basis upon which credit is extended, say, in the province of Ontario. This is the question, I think, that was in Mr. Deachman's mind when he was asking the question as to the desirability and perhaps necessity of a bank with its head office in Vancouver and a largely British Columbian institution. Would it be possible to do that?

Mr. ELDERKIN: Mr. Cameron, we do not collect figures on a provincial basis so far as loans are concerned. Some 20 years ago, or more, there was a suggestion made along these lines and an inquiry was actually started. The complication that comes into any statistics of this kind is that a loan made in Ontario may be spent completely outside the province of Ontario. A deposit arising in that province may be channelled to another province entirely. It is very hard to match up. This is particularly true when you are dealing with national organizations. For instance, one could think of, perhaps, a company like the Dominion Steel and Coal Company which probably would do all its borrowing in Montreal, and a large part of its expenditure would be in the province of Nova Scotia. Out of that expenditure would arise deposits, some of them savings and some of them commercial. It is an almost impossible statistic to compile in any kind of an equitable way.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I was afraid that was the case. Thank you.

The ACTING CHAIRMAN: Are there any other questions?

Mr. BASFORD: I would like to go back to Mr. Wallace's discussion and his interesting words about the consideration of the directors between one bill and the other. Were any other people invited to be provisional directors over the last two years?

Mr. WALLACE: To the best of my knowledge, no, but my knowledge is limited, naturally.

Mr. BASFORD: Would the provisional directors be prepared to accept a substitution of directors? Would not some other leading British Columbian businessman, say Mr. J. V. Klein, as a provisional director, strengthen the application a great deal?

Mr. WALLACE: Are you still addressing me, Mr. Basford?

Mr. BASFORD: No. I was making reference to what you had said before, Mr. Wallace. I am not addressing you directly right now. Whoever wants to answer the question may do so.

Mr. WALLACE: We have certainly considered the possibility of additional directors, but the point is, at the present time we have nothing to offer. We are presently here, five gentlemen, trying to process an application for a charter. There is not much point in involving broader coverage of people while we are still in the process of trying to get it started. Obviously, as soon as the charter is obtained the board will be expanded, and the people who are likely to be named will be the people who will be considered by the shareholders.

Mr. BASFORD: When do the provisional directors expect the bank to begin to show a profit? What are the projections on that?

Mr. GUNDERSON: We should show a profit the first year.

Mr. BASFORD: That is your projection, is it?

Mr. GUNDERSON: Yes, by the end, perhaps. Then if you open up new branches you might have to show a loss, but certainly we would be showing a profit the first year, because you would have interest on the funds derived from your shares, and your expenses would be limited. So you should be showing a profit the first year.

Mr. BASFORD: I do not recall the exact testimony on the Bank of Western Canada, But I think Mr. Stevens' projection was five years, was it not?

Mr. GUNDERSON: The average bank would take several years.

Mr. CLERMONT: Would you consider the Bank of British Columbia an average bank, because according to testimony given in 1964 it was supposed to be a very, very big bank.

Mr. GUNDERSON: Yes, I think it will be a big bank.

Mr. CLERMONT: I agree with Mr. Basford, that when the Western Bank was before this Committee we had more information given to us. Now it seems that we do not know; we are only a government director, and so on. It will be up to the witnesses.

Mr. DIETRICH: I think two different situations exist. They had raised their money and were organized to go. We are not at that point yet. We do not know how much money we will end up raising on the sale of shares and, again, we cannot predict what our profit would be in the first year; but it would be interest, as Mr. Gunderson says, on the money raised less our expenses which, to start with, should be very minor. They will increase as we expand the operations and build up the staff.

Mr. CLERMONT: You will agree, gentlemen, that this Committee has a responsibility too.

Mr. DIETRICH: Yes, and we also realize that we have to satisfy the Treasury Board.

Mr. CLERMONT: Can you give us any reason why your committee, if I may call it that, is not prepared to give more information, because this has been going on since 1964, although I agree that in 1964 it was on a different basis.

Mr. GUNDERSON: We have not raised any money.

Mr. CLERMONT: But when representatives from the Eastern Bank appeared before this Committee they had more information available.

Mr. GUNDERSON: They had raised money and they also had an experienced banker already with the organization, Mr. Coyne.

Mr. CLERMONT: In your report, Mr. Gunderson, you mention that soon you will be able to give the name of a big banker. Do you not think it would have been better if before you appeared before this Committee you had named this banker?

Mr. GUNDERSON: We could not name him before we received our charter, because the minute he was named the bank, with which he is holding a very important executive position, would release him, I am sure.

Mr. CLERMONT: On the other hand, when the Western Bank officials came before us they were not sure that they would have a charter.

Mr. GUNDERSON: They already had money, though.

Mr. MORE (*Regina City*): Mr. Chairman, Mr. Coyne did not operate with a bank at that time. He was a free man with banking experience and available.

Mr. GUNDERSON: And he was available.

Mr. MORE (*Regina City*): That was a very different situation.

Mr. CLERMONT: Mr. More, I did not say that he was going to be an administrator; he was already with them. Mr. Gunderson claims that they had an experienced man with them.

Mr. GUNDERSON: Well, they did. He was free; he had had banking experience, and was working with them. With us we cannot name our president until we get the charter.

Mr. BASFORD: Have you prepared pro forma balance sheets and profit and loss statements for the next five years?

Mr. GUNDERSON: No, we have not, but we will have to submit that to the Treasury Board when we make out our certificate seeking permission to commence operations.

Mr. BASFORD: Mr. Chairman, I find that an astounding situation. I have a very high regard for the business acumen and business ability of Mr. Mearns, Mr. Elworthy, Mr. Dietrich and Mr. Wallace. They are well-known in British Columbia as extremely able and reputable businessmen, and I find it most unusual that they each have put \$9,000 into this enterprise and yet they have no projections as to profits and operating expenses. I find that unbelievable.

Mr. DIETRICH: I find it pretty hard for us to do a lot of these things until we know exactly how much money we will have, how fast we can put the bank together, and our growth with the use of the money we will have at the time. We have certainly discussed the question.

Mr. GUNDERSON: If we had raised a certain amount of money now we could forecast where we would be going, but at the present time it is dependent on the number of shares that we sell.

Mr. BASFORD: Mr. Gunderson, your underwriters have told you that they can raise \$25 million. Surely, then, you have projected your operating profit and operating statements on that basis?

Mr. GUNDERSON: I presume she would prepare a "guesstimate".

Mr. BASFORD: I would have presumed that you would have prepared a "guesstimate" before you put in \$9,000.

Mr. DEACHMAN: I get the impression, and I am not trying to get this impression, Mr. Gunderson—I am trying to find out whether or not I can indeed advocate a bank for British Columbia, and would be happy to do so—that you are like a man without a plan. All you want is a certificate from this Committee to operate a bank, and you sound to me like a man without a plan. I only wish, as a member of parliament from British Columbia, I had more confidence in what you are telling me here today, because I just do not feel that you are

confiding in this Committee in a way that enables me to go back to my constituency and say that I have real confidence in what you are proposing, because so far I just do not have any information, after an afternoon of sitting here.

Mr. GUNDERSON: Have you read the brief?

Mr. DEACHMAN: Yes sir.

Mr. McLEAN (*Charlotte*): How do you know that you can raise any money at all? Money is very tight at the present time.

Mr. GUNDERSON: We may not be able to.

Mr. McLEAN (*Charlotte*): Then what is the good of giving you a charter if you cannot raise any money?

Mr. BURKE-ROBERTSON: Dr. McLean, there is a great deal to do by way of organizing the bank after the charter is granted, and the provisional directors have one year within which to organize the bank and apply to Treasury Board for permission to commence business. If the Treasury Board is not satisfied that the bank is properly and effectively organized with professionally trained management personnel it is very improbable that such a certificate will be given. The effectiveness of the Treasury Board has been demonstrated in the last forty years in this country by the fact that there have been no bank failures ever since this present system of supervision was introduced.

Mr. McLEAN (*Charlotte*): There have been banks taken over, though, which were not too strong. All the regional banks that I know of have been taken over.

Mr. BURKE-ROBERTSON: There have been amalgamations, but I do not think there is any evidence to indicate that the banks which amalgamated did so through weakness.

Mr. McLEAN (*Charlotte*): Well, I know of several some time back. The Bank of New Brunswick and the Metropolitan Bank were taken over by the banks because they could not go ahead. Now, if your provisional directors would say, we know we can put up \$500,000 or we can put up \$1 million, I think it would give the Committee quite a lot of confidence. But you say that you just put in \$9,000 each; I might take a chance myself with \$9,000.

Mr. BURKE-ROBERTSON: It is not a question whether they are prepared to say that they will give it to this Committee; they have to do it. They have to produce a minimum of \$500,000 before they can approach the Treasury Board for permission to operate. I am sorry, a subscription of \$1 million.

Mr. MORE (*Regina City*): Mr. Chairman, could I direct a question to Mr. Elderkin? Has this group of gentlemen complied with all the requirements of your department?

Mr. ELDERKIN: That is right.

Mr. MORE (*Regina City*): And you are completely satisfied that their application should be heard by this Committee? I have an impression that there is one man in the group who is the kingpin, but if what has been said about the other four is correct—and I do not know any of them personally except I met and shook hands with them—they look to me like pretty capable people, and

the other one cannot be beyond their handling. If your department is completely satisfied I would like to get on with the bill. Surely the line of questioning has gone about far enough this afternoon. It seems to me that personalities have become involved and I do not like any part of it.

Mr. PUGH: I have a question for Mr. Wallace, and it follows your remarks earlier wherein you stated that you had gone over this very carefully with the other directors before coming down here and decided not to make a change in the provisional directors. Just following along on Mr. More's line of questioning, you have no reservations at all; everything was discussed among all the provisional directors, and you have a consensus.

Mr. WALLACE: Very definitely.

Mr. PUGH: Thank you very much.

Mr. BASFORD: Our biggest industry on the west coast is undoubtedly the logging industry. I anticipate you would hope to get some of the logging companies as customers of the bank?

Mr. GUNDERSON: We hope to get a lot of businesses as customers of the bank. It is going to be difficult because most firms are tied up with other banks. It is going to be a question of rendering a service and getting business. We would be doing a disservice to the shareholders if we did not try to get as much business as we possibly could. And the larger firms may be dealing with three or four banks. All you might do, if successful, would be to get one phase of it, and that is all. None of the large firms do business with one bank only.

Mr. BASFORD: When Mr. Williamson was giving evidence in Vancouver, he testified that in raising funds he had never been turned down. Would you expect the same situation in raising customers?

Mr. GUNDERSON: I will have nothing to do with raising customers; that will be up to the bank staff, which will be picked by the president and chief executive officer. I will be what I am now, a provisional director. We came down here; we feel that British Columbia needs a bank, and we are doing everything in our power to get a bank for British Columbia.

Mr. BASFORD: You will have nothing to do with getting customers?

Mr. GUNDERSON: Not the slightest.

Mr. BASFORD: Mr. Gunderson, if you are going to be a director of a bank you have an obligation to the shareholders to do all that you can to get customers.

Mr. GUNDERSON: Yes, that is right. But you inferred that I was going to go around soliciting them.

Mr. BASFORD: I would hope that, as a director, you would. Surely part of a director's job is to increase the business of the company of which he is a director?

Mr. GUNDERSON: I think we all try to get accounts.

Mr. BASFORD: You will have something to do with getting accounts?

Mr. GUNDERSON: Yes, I should not say that I would not.

Mr. BASFORD: So if you are elected a director you will have quite an active part in getting accounts for the bank?

Mr. GUNDERSON: The same as any director. I have been on a bank board before.

Mr. BASFORD: I suggest because of your peculiar relationship with the premier, a very close relationship with the premier, you will have a good deal of influence over prospective customers.

Mr. MORE (*Regina City*): Mr. Chairman, I raise a point of order again. I think we here are dealing with a group which has met all the requirements that are laid down by the parliament of Canada for promoting a new bank, and I am not particularly pleased with some of the things discussed this afternoon. To me there is political intimidation in it. It may be denied and, if so, I will accept that. Being a Tory—and I might as well be frank and lay it on the line—if I wanted to adopt that attitude when the Bank of Western Canada was before us, I could have gone on for days with Mr. Coyne. I do not think that is the business of this Committee.

Mr. BASFORD: Mr. Chairman, may I speak on a question of privilege. My motives have been attacked by the hon. member and I think I am entitled as a question of privilege to reply.

This bank, or the concept of a bank for British Columbia, is extremely important to the development of British Columbia. That the bank be properly organized and properly financed and properly run is of extreme importance. We need a bank on the west coast oriented to our particular needs there. This bank is going to go out and raise among the people of British Columbia up to \$100 million. It is going to take deposits from the people in businesses in British Columbia. We have an obligation to see that it is properly organized and properly run. It is my firm conviction—and I exclude four of the directors from this remark—that this will not be the case if Mr. Gunderson is connected with the bank. There is nothing political about that at all, and I deny any such allegation. It is my view that this bank cannot be properly run in the interests of the people of British Columbia if Mr. Gunderson is connected with it.

Mr. BURKE-ROBERTSON: Whether or not the bank is properly run is a matter which comes entirely within the purview of the duties of the Inspector General of Banks, not this Committee. I think to that extent, at least, what Mr. Basford has said is irrelevant to the issues now before the Committee.

Mr. BASFORD: Well, if Mr. Burke-Robertson will excuse me, I do not think Parliament would have required, in an incorporating statute, the names of the provisional directors unless it was our obligation and duty to examine it.

Mr. MORE (*Regina City*): As a member of the Committee, Mr. Chairman, I think that if this is a factor then Mr. Basford should produce whatever evidence he has, so the Committee can consider it. If not, and if we are going to spend our time like we have spent it, I am not going to stay very long. They have met the requirements and I would like to get on with the act. I would like to know whether or not the rest of the Committee feels as Mr. Basford does and we can soon determine it by dealing with the bill.

Mr. CLERMONT: When Mr. More said they have met the requirements, what does he mean?

Mr. MORE (*Regina City*): There are stipulations laid down which Mr. Elderkin has assured us they have fully met. It is a regular bill before the Committee.

Mr. CLERMONT: Are you satisfied with the replies we got to questions put? I do not know these gentlemen at all. This is the first time I have met them. I thought we would get replies to the questions that were asked, but most of the time the reply was "We do not know, because we are only provisional directors; it will be up to the permanent directors to give these answers". Are we only a rubber stamp here, and because the inspector general says that everything is all right, we have to accept that. If that is the case, why bring the Committee together.

The ACTING CHAIRMAN: Mr. Clermont, Mr. More and Mr. Basford, I think this might be an opportune time to recess for dinner. The members of the Committee will have ample opportunity to question the witnesses at 8 o'clock tonight.

EVENING SITTING

The ACTING CHAIRMAN (*Mr. Addison*): Gentlemen, in view of the fact that we recessed and we all seem to have supped, I will re-open the meeting. The witnesses are here for your questioning.

Mr. BURKE-ROBERTSON: Mr. Chairman, I wonder whether at the outset I might try to explain something which apparently was not explained to the satisfaction of Mr. Clermont earlier.

Mr. Clermont, you have left the provisional directors with the distinct impression that, in your view, they have not conveyed to the committee satisfactory answers to the questions which have been put. I think you mentioned, in the case of the Bank of Western Canada, that a great deal of information was laid before the committee, not only with regard to the methods of operation of the bank but financial information concerning the moneys already invested.

I think they had purchased rights to shares and there was already a sufficient amount of money on hand to form a reasonable basis for calculations as to how the bank would operate. What I would like to do is to try to satisfy you.

Mr. CLERMONT: I think you should satisfy all the committee.

Mr. BURKE-ROBERTSON: Yes, all the committee members but you, in particular, have drawn to our attention the fact that answers, as far as you are concerned, are not being perhaps as full and as adequate as you would like to see them. What I would like to say is this. The case of the Bank of Western Canada was presented to this committee by a former governor of the Bank of Canada, Mr. Coyne, and also a financier of considerable talent, Mr. Sinclair Stevens. They had already amassed \$13 million which was, I think then, invested in certain trust companies and otherwise. They were in a position to provide information of considerable value, to the committee, because of their own particular talents and experience and because that was their own field. Now, the present provisional directors are not bankers, as they were in the Bank of Western Canada, nor are they financiers in the sense that Mr. Sinclair

Stevens is. On the other hand the Bank Act does not require that moneys be subscribed in advance of an application to Parliament and it does not require that the applicants before Parliament should themselves be financiers or bankers. What I would like to convey to you, if I may sir, is this. I think that the present provisional directors, up to this point, have satisfied all the requirements of the Bank Act in making their application to Parliament. Perhaps you could ask Mr. Elderkin, the Inspector General of Banks to confirm this opinion. That may, in part, at any rate, account for the fact that some questions are not capable of being answered as fully as you would like. On the other hand, bearing that in mind I wonder if you could tell us again of any questions which you think have not been answered adequately up to this point.

Mr. CLERMONT: You mentioned the Western Bank but this group had also met the provisions of the Bank Act.

Mr. BURKE-ROBERTSON: Yes.

Mr. CLERMONT: But they expected the members of this committee to question them on all angles.

Mr. BURKE-ROBERTSON: They were quite capable of answering too.

Mr. CLERMONT: This afternoon objection was taken to certain questions. I have read previous committee reports. You should read the questions that were asked of Mr. Stevens.

Mr. BURKE-ROBERTSON: I think they were questions mainly related to the investments which were already held by him and his family.

Mr. CLERMONT: Yes, partly. I will read in French a question to Mr. Coyne which was asked by Mr. Leboe. What would be the amount of the initial reserve with the Bank of Canada? There was a question asked by Mr. Leboe, and I will read it in French.

(Translation)

—What will be the amount of the initial reserve with the Bank of Canada?

(English)

Mr. CLERMONT: And these gentlemen had met the requirements of the Bank Act.

The ACTING CHAIRMAN: Pardon me, Mr. Clermont. The translation did not come through properly. Would you mind repeating your question again, please so the translator can pick it up?

Mr. CLERMONT: We had trouble this afternoon.

The ACTING CHAIRMAN: No, it is working fine now Mr. Clermont.

(Translation)

Mr. CLERMONT: Well, Mr. Chairman, this is the point even if the group which represented the Bank of Western Canada did actually meet the requirement of the Bank Act. That had been certified to us by the Inspector General of Banks, but this does not prevent the Committee from putting the various questions to the representatives. I will mention only one which was actually put by Mr. Leboe, on March 1, 1966.

"Here is my first question with regard to the proposed bank: What will be the amount of the initial reserve which will be given to the Bank of Canada?" And I could put a lot more questions along those lines. There are a great many more questions like that. Here are three books full of questions of that type, and all these gentlemen did meet the actual requirements of the Bank Act. That is why I observed that you are asking the Parliament of Canada to grant a charter in respect of a proposed bank with a capital of \$100,000,000. The Bank of Western Canada was for \$25,000,000 only, of which \$13,000,000 had already been subscribed by 14,000 shareholders. Now, you will understand that as far as I am concerned, I could put certain questions to Mr. Gunderson with regard to the shares a little later on this afternoon. Mr. Gunderson said he would probably sell for \$25,000,000 worth of shares. I do not know how many shares that would be. Up to \$50,000,000. That was a little different, because the first times he had answered "I don't know". Now, what I am interested in is the public good. I am acquainted with none of the five gentlemen who are acting here as provisional directors. I have absolutely no prejudice, I don't know them, I am only concerned with the public good. This Committee is asked to report to Parliament to grant five provisional directors a bank charter with a capital of \$100,000,000. You have answered that nothing has been done, that all this will be done by the president and the general manager to be named, the chief executive officer. You will understand, Mr. Chairman, that I am a little bit confused here. I do not really know where we stand.

(English)

Mr. ELDERKIN: Mr. Chairman, may I answer the question on the cash reserve?

The ACTING CHAIRMAN: Yes.

Mr. ELDERKIN: That is entirely governed by the Bank Act. It has nothing to do with the capitalization of the bank whatsoever. It depends entirely upon the amount of their public deposits. At the present time it is 8 per cent of their public deposits in Canadian currency, under the recommendations in the revised bill this will be 12 per cent on demand deposit and 4 per cent on notice deposits. But this is not within the control of the bank whatsoever. It is a matter of statute.

Mr. CLERMONT: It does not seem that I can get through to the provisional directors. This group is asking Parliament for a charter for a bank that will have \$100 million in capital but the answers they have given to some of the questions lack the information we require. I want to pursue my questions because we were told that these things will be done by the permanent director. I am sorry to say that I am surprised that our Chief Inspector is giving a certificate to a group of persons who, on their own admission, do not know anything about banking.

The ACTING CHAIRMAN: May I just interrupt. Now that we have a quorum I would like someone to put a motion that the proceedings up to this point be made part of the official record.

Mr. LEBOE: I so move.

Mr. CAMERON (Nanaimo-Cowichan-The Islands): I second the motion.

Motion agreed to.

Mr. ELDERKIN: On Mr. Clermont's remark, Mr. Chairman, I do not give any certificate to that effect. The certificate is given by Treasury Board, a committee of the Cabinet.

Mr. BASFORD: Supplementary to that, Mr. Chairman, it would be useful to the committee for Mr. Elderkin to clear up what his position here is because the inference was left this afternoon that if Mr. Elderkin appears here and says this application has met all the requirements that this in some way is an endorsement of it. I think Mr. Elderkin would not agree that he is in a position to endorse one application or another.

The ACTING CHAIRMAN: I would just like to say that I do not think Mr. Elderkin endorses the application. I think he said these people have complied with the requirements.

Mr. BASFORD: I would like to know whether there is on record the view of the Vancouver Board of Trade on this application? This bank is going to affect the business and trade of Vancouver a great deal and it is something I would have thought the Vancouver Board of Trade would have expressed a view upon. I would like to know that view, if there is such a view?

Mr. BURKE-ROBERTSON: To whom are you addressing your question, Mr. Basford?

Mr. BASFORD: The sponsors of the bill, you or Mr. Gunderson, or whoever can answer it.

Mr. BURKE-ROBERTSON: I am not aware of it myself. Do you know of anything Mr. Gunderson?

Mr. GUNDERSON: No, I do not.

Mr. DIETRICH: Originally though, when the government took a position, as you know, the Vancouver Board of Trade objected on the basis of government participation. But, I do not think there is anything officially on the record. But I know many members of the Board of Trade are very much in favour of the bank as individuals.

Mr. BASFORD: Would it not be very easy to get on the phone tonight and have a wire sent from the Vancouver Board of Trade to the Chairman or members of the committee endorsing this application. I would find that very helpful.

Mr. DIETRICH: Well I do not think this involves the Vancouver Board of Trade. The bank would be a provincial bank and a national bank. The only objection the Vancouver Board of Trade had was the fact that originally the government was participating in it.

Mr. DAVIS: Mr. Chairman, I would like to ask the sponsors a few questions which would give me a better idea of the proposed scale of operations of the proposed Bank of British Columbia. I notice that in the bill which has received first reading in the House of Commons and has been referred to this committee that the authorized capital stock is \$100 million. Now, in order to support a capital stock of \$100 million what order of magnitude of deposits are required? I am asking this, assuming this is a thoroughly economic operation, a business-like proposition earning a reasonable profit, viable in the financial sense.

Mr. BURKE-ROBERTSON: I think the evidence has already been given that it is not the intention necessarily to start off with a fully paid up capital of \$100 million. But the financial houses across the country have indicated that stock to the value of \$25 million could readily be sold, and the directors are hoping to double that, if possible.

Mr. DAVIS: Could you give me a rule of thumb in the banking industry as to the ratio of deposits to capital stock.

Mr. ELDERKIN: May I say, Mr. Davis, I do not think there is such a ratio. It is really on the other side of the balance sheet. It is the assets in respect of the capital which have the effect.

Mr. DAVIS: Well, what I am searching for is an impression of how big this bank will be, for example at the \$25 million stage, the \$50 million stage and ultimately the \$100 million stage. Does it not require say 15 or 20 times that much in deposits in order to earn an adequate investment on the capital?

Mr. ELDERKIN: It depends on many things, Mr. Davis. It depends of course on the expenses involved in the operation and so on. I think it has already been stated in evidence that it is a fact if you go ahead with a large branch expansion you run up a large overhead and expenses. New branches normally are not remunerative for two, three, four or sometimes five years. But, if the bank is content to operate on the basis that it will only open new branches when the present branches are making profits then there is no reason the bank cannot continue to make profits if it does so on a gradual basis.

Mr. DAVIS: It seems to me to be a business-like approach to start small and grow, as you manage well and prosper. Could I then get some idea of what other banking operation in Canada, perhaps a main bank, would be the objective in respect of the Bank of British Columbia. Have you in mind something like the Toronto-Dominion Bank or something smaller than that? What is the nature of the business as well as the scale of the capitalization.

Mr. GUNDERSON: Most banks start out as a sort of regional bank and I presume that is the way we will start out—more or less a regional bank as far as operations are concerned.

Mr. DAVIS: By that you mean taking deposits in British Columbia?

Mr. GUNDERSON: Yes, in a restricted number of branches.

Mr. DAVIS: You would have branch offices in certain localities and add to them in British Columbia but eventually you would extend outside of British Columbia?

Mr. GUNDERSON: Yes.

Mr. DAVIS: I am groping, admittedly, but I want to get an idea of how big this bank will be. Will it be one of the top half dozen. We only have six or eight banks in Canada.

Mr. GUNDERSON: I hope so eventually.

Mr. DAVIS: Will it be in the first two or three ultimately?

Mr. BURKE-ROBERTSON: It is impossible to say, Mr. Davis.

Mr. DAVIS: Well one of the reasons I am pursuing this line of questioning is that there have been editorials and articles written by people who are reasona-

bly competent in the banking field, using a ratio such as I intimated might be employed, which multiplies the capitalization of say, \$100 million, up to something like \$1.5 billion or \$2 billion. That was the required volume of deposits from private individuals, corporations, institutions and so on to make it a going concern. This does not seem to strike a note here.

Mr. BURKE-ROBERTSON: I do not know, but that does not certainly appear to be the opinion of the Inspector General of Banks.

Mr. ELDERKIN: I would not say that was the case, Mr. Davis. I do not think this was what made it a going concern, quite frankly. A going concern can start off with practically no deposits if it has a very substantial capital.

Mr. DAVIS: Well the bank has to do something with the capital involved.

Mr. ELDERKIN: But this does not relate to deposits; it relates to the other side of the balance sheet. It relates to their investments and their loans.

Mr. DAVIS: You are saying a concern can borrow, let us say, \$25 million initially, put out \$24 million in various investments and earn a return on this and so merely start a banking operation on the scale of \$1 million capital and work up. Initially it can hardly be said to be in the banking business but eventually it moves up to \$25 million totally involved in banking.

Mr. ELDERKIN: We have a great deal of difficulty defining a banking business, as you no doubt know. On the one side, its loans and investments will be in the banking business. The more it can acquire deposits the more it can increase those loans and investments on the other side. Therefore the spread between borrowed money and loan money is where they make their profits. In the meantime they have their capital which, if it is not invested in fixed assets but in earning assets, can earn a return on that capital.

Mr. DAVIS: Would it be the objective of the sponsors of this bank to eventually have a substantial part, say a majority of the \$100 million, involved in the banking business as distinct from merely borrowing from the public and investing on the public's behalf in other types of enterprises.

Mr. BURKE-ROBERTSON: Would you mind restating your question, Mr. Davis?

Mr. DAVIS: I get the impression that the capital will not be, and indeed in most other banks is not, totally involved in the banking business.

Mr. BURKE-ROBERTSON: What do you mean when you say "the banking business", just to make sure we understand your question.

Mr. DAVIS: Well, in making money or in attracting deposits and making investments based on those deposits. I am not trying to define the banking business for you.

Mr. ELDERKIN: Would it not be right to say, Mr. Davis, that the capital is employed in the banking business and a portion of that, with all banks, is employed of course in bank premises, but other than bank premises the rest of it is entirely in the necessary assets involved in the banking business. One can say that the bank premises are also necessary assets involved in the banking business.

Mr. DAVIS: Perhaps I can put my question another way. At the scale of \$25 million capitalization what, hopefully would be the volume of deposits taken by this bank when it was fulfilling the purposes which the sponsors have in mind. If I had received a figure I would have tried to put the figure down beside the sum total of deposits in British Columbia to get an idea of what proportion of the total business the sponsors, hopefully, would get.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): If the bank had, say, \$50 million subscribed capital and if all the \$50 million were used in the banking business—that is to say \$50 million worth of loans were made—would you not then automatically have approximately ten times that in deposits, the ratio that Mr. Davis is speaking of. Is that not what you really referred to? That is really what the articles of which you spoke referred to.

Mr. DAVIS: I want to find out how considerable or how large the volume of deposits would have to be.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): How do you distinguish between deposits?

Mr. ELDERKIN: We had that this afternoon. The ratio of bank liabilities to bank capital and rest account is about 6 to 1. In other words, the other liabilities are about six times the capital and rest account. But as Mr. Cameron says, the very fact of making loans generates deposits in itself. Sometimes even the act of purchasing securities generates deposits in the bank as well.

Mr. BASFORD: Do I understand you correctly, deposits being a liability, that if you have a capital of \$50 million you would have deposits of \$300 million?

Mr. ELDERKIN: Quite, yes or more.

Mr. BASFORD: What are the total deposits in British Columbia now?

Mr. ELDERKIN: There is no such statistic available, Mr. Basford.

Mr. MACALUSO: Supplementary to that, are no such statistics held by the banks and requested by your department?

Mr. ELDERKIN: That is right but not by separate provinces.

Mr. MACALUSO: There is no such breakdown?

Mr. ELDERKIN: No, because we find they are very unrelated to any factual statistic. They do not mean anything.

Mr. DAVIS: What about the total deposits in Canada?

Mr. ELDERKIN: Oh yes, we have the total deposits in Canada.

Mr. DAVIS: What is the order of magnitude of total deposits, \$15 billion?

Mr. ELDERKIN: \$17 billion of \$18 billion, if I remember rightly.

Mr. DAVIS: Well British Columbia has 10 per cent of the population and 15 per cent of the wealth.

The ACTING CHAIRMAN: Could this information be available for the committee, Mr. Elderkin?

Mr. ELDERKIN: No, there is no such information collected, Mr. Chairman.

Mr. MACALUSO: Do you mean the banks themselves do not have a breakdown province by province of the amount of deposits in each of their branches in the provinces?

Mr. ELDERKIN: Of course they do. I said that no such information is available in the department. It has never been asked for because we have never felt it was information which was of any value.

Mr. MACALUSO: Well, if this committee was interested in that information, would a bank not normally give you that information?

Mr. ELDERKIN: The Minister may require any information that he wishes to obtain from a bank. I just placed the reservation on it. If we could get the information for you I would suggest that it would be of very little value.

Mr. MACALUSO: Well perhaps it is of little value to the department but under the circumstances, the committee considering this particular bill, it might be of importance to some members.

Perhaps, Mr. Chairman, the five national banks—if they are not averse to it or for some reason it should not be given—could be requested to provide this committee with the information.

The ACTING CHAIRMAN: I think the request would have to be made to the minister.

Mr. BURKE-ROBERTSON: I think, as a matter of fact, this afternoon a similar question was asked and a similar answer given by the Inspector General of Banks, that it would be of little value. I think at that time the Inspector General went further to explain why it would be of little value. I think if he would not mind re-stating that you might realize it would not assist the committee in the consideration of this bill.

Mr. MACALUSO: You would be averse to that information coming before the committee?

Mr. BURKE-ROBERTSON: Not at all, I only mentioned this because it was my understanding that the Inspector General said it would not be of value to the committee.

Mr. MACALUSO: Well it might be of interest to some members of the committee.

Mr. BURKE-ROBERTSON: Well that may be.

Mr. ELDERKIN: I said, in a reply to a question by Mr. Cameron this afternoon, that information of this kind is decidedly misleading, it is very misleading. Deposits often rise from loans that are made in another province altogether, with no relationship to the economy or financial situation in the particular province. That is why we have never considered nor have the Dominion Bureau of Statistics ever considered this information as sufficiently reliable as to be of any value whatsoever. You will find there will be various fluctuations on a seasonal basis. You will find there will be various fluctuations on an industrial basis, depending on what time of the year you take them, in many cases. The Minister can get this information, he has the power to get it. But long ago we decided it was not of any value and, for that reason, we have never had it for years.

Mr. MACALUSO: Would we not, despite these fluctuations, be able to get a general picture?

Mr. ELDERKIN: Not unless you took an average over quite a long period of time, and even then I do not know that it would be particularly valuable. But, if the committee wants to ask the Minister to do this, the Minister has the power to do it. I just discount its value.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Could I suggest, Mr. Elderkin, that you cite the particular instance that you cited to me privately on this question, if that is permissible?

Mr. ELDERKIN: Oh yes. I think, as a matter of fact, Mr. Cameron, that I mentioned it in my evidence before. I cited only one of many outstanding examples that I could cite and this is in relation to the Maritime provinces. It has to do with the Dominion Steel and Coal Company. They probably do all their borrowing in Montreal. Their subsidiary companies—three are in the Maritimes, one is in Montreal and one in another province—do not borrow at all from the banks. The parent company lends them or supplies them with all their funds. To the extent that these funds are supplied by the parent company to the Maritime subsidiaries they will, of course, temporarily at least and very temporarily perhaps, give rise to deposits in that particular district. The deposits did not occur except by money borrowed in another province altogether. They only occurred because of that. This is why I am saying we find these statistics so completely unreliable they do not seem to have very much significance in a national banking system. They would have very much value in a unit banking system such as is the case in most of the states.

Mr. DEACHMAN: Mr. Chairman, I think many of us are lost tonight as to the proper technique for examining the witnesses. I think we have many unresolved questions in mind. At this moment I would like to make a suggestion to the Chair and perhaps others would like to take up the suggestion. I think it would be profitable to the committee to call before it an economist from, say, the Canadian Bankers' Association or some such body, who could help to inform the committee on how to go about examining the bill before us. I think without that help we are going to leave here with very many questions unresolved and with doubts in our minds about the whole bill.

Mr. BURKE-ROBERTSON: Mr. Chairman and gentlemen, it has been my impression all along that the Inspector General of Banks was the special adviser to the committee on the very points that Mr. Deachman has raised. Is this not correct, Mr. Chairman?

The ACTING CHAIRMAN: I would suppose that is the case.

Mr. BURKE-ROBERTSON: I would think he was necessarily more qualified to answer the questions than anyone else.

Mr. DEACHMAN: On a point of order, Mr. Chairman. I think this matter is up to the members of the committee; we do not need to be advised by the counsel for the witnesses. With respect, I say to him that he has been very helpful indeed tonight but this is a point on which we do not at the moment really need to seek his advice. I would like to hear an expression from other members.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I am quite ready to make the same suggestion that Mr. Burke-Robertson made because I

happen to know that it is correct. Mr. Elderkin is far better able to give us the sort of information we want than you will get from any representative of the Bankers' Association.

Mr. McLEAN (*Charlotte*): Mr. Chairman, the members from British Columbia are anxious to ascertain whether the bank is going to be of any benefit to British Columbia. That is what they are trying to find out. It seems to me it is not a question of whether or not they get the charter, but whether the bank is going to be of benefit to British Columbia. I do not think it is going to benefit the Maritime provinces.

The ACTING CHAIRMAN (*Mr. Addison*): The witnesses came a great number of miles to appear before this committee, but if it is the wish of the committee that they have advice at a later date I think that is perfectly all right. The Inspector General of Banks is here to answer any questions that members may wish to ask him. My feeling is that if there are questions to be asked they should be asked while the witnesses are here.

Mr. MACALUSO: Mr. Chairman, I do not know who is suited to answer this but perhaps I could ask the questions and the witnesses could decide who should answer it. It is my understanding that the government of British Columbia made an initial payment to the City of Vancouver of some \$1 million plus to acquire a block of property in downtown Vancouver to use as a site for the headquarters of the proposed bank and also for a courthouse, if I recall correctly, from what I heard when I was in Vancouver last May. It was indicated at that time, if my memory serves me right, that a further payment of \$400,000 would be made when the city had completed assembling the possible properties in question. Does the government of British Columbia still own this property?

Mr. GUNDERSON: My understanding is that they still own the property.

Mr. MACALUSO: Why is it that the government assembled this property and not the five provisional directors?

Mr. GUNDERSON: I think I answered that this afternoon.

Mr. MACALUSO: If you will forgive me, I was not here this afternoon.

Mr. GUNDERSON: Well the property was acquired; the government are building a building, and the revenue from that building is to go to the universities in British Columbia.

Mr. MACALUSO: When was that decision taken?

Mr. GUNDERSON: That was the original purpose of it. If the government had sponsored the bank I presume they might have built the building, but now it will be built by the government and we might take space in it—that is, the new bank might rent space in it. But it is a government building on government property and the revenues go to the universities.

Mr. MACALUSO: If you were to purchase that property yourself would you have paid a higher price than the government of British Columbia has paid for it?

Mr. GUNDERSON: Oh, I could not tell you that.

Mr. MACALUSO: Well you are in business there, Mr. Gunderson; surely a man of your experience would know.

Mr. GUNDERSON: I was not in on the deal; I am sorry.

Mr. MACALUSO: I am speaking of your experience.

Mr. BURKE-ROBERTSON: The evidence already has been that the provisional directors of the bank do not intend to purchase any property.

Mr. MACALUSO: But that was not my question.

Mr. BURKE-ROBERTSON: No, but it is not the intention to purchase any property.

Mr. MACALUSO: That still was not my question. I asked: If the provisional directors had intended to purchase that land themselves would they have paid a higher price for it than did the government of British Columbia, from your experience of land values in downtown Vancouver?

Mr. BURKE-ROBERTSON: Is this relevant?

The ACTING CHAIRMAN: Mr. Macaluso, perhaps this question is irrelevant, unless you were trying to develop—

Mr. MACALUSO: I certainly am, Mr. Chairman. It might be irrelevant to the witness, but I suggest that perhaps if he came forward with answers he might find that he would not be here so long.

The ACTING CHAIRMAN: Would you please ask the question.

Mr. MACALUSO: I asked the question. If there is no answer I will continue.

Mr. MEARNS: I would say that property values are changing pretty quickly all across the country, because we have a lot of inflation, and to get a proper price on a piece of property at any time you would have to get a qualified appraiser to do it; and we are certainly not in a position to appraise a piece of property in downtown Vancouver.

Mr. MACALUSO: My point, gentlemen, is to find out if the taxpayers of the city of Vancouver would be getting the same return for the property that they would have had if it had gone to a private developer. You understand that?

Mr. MEARNS: We have no control—

Mr. MACALUSO: I was making a statement in explanation of my question.

The ACTING CHAIRMAN: Will you please put your question, Mr. Macaluso, because this is irrelevant to the Bank of British Columbia.

Mr. MACALUSO: Not the way it started out, when the B.C. government was making all the hullabaloo about taking five or ten per cent of it back.

Mr. BURKE-ROBERTSON: It is not doing that now.

Mr. MACALUSO: It did initially.

Mr. BURKE-ROBERTSON: Yes; but this is a totally different application.

Mr. MACALUSO: I will go on. Probably these questions have been asked, and perhaps—you will forgive me if I ask them again, but two of the provisional directors—

Mr. BURKE-ROBERTSON: I will tell you if they have been.

Mr. MACALUSO: I think that counsel for the witnesses would be better off if he waited for questions rather than making comments.

Two of the witnesses, as I note here, who are provisional directors are officers of Crown Corporation. Have Mr. Mearns and Mr. Gunderson any intention of resigning these positions if this bank is incorporated?

The ACTING CHAIRMAN: Mr. Gunderson did make a statement this afternoon. Mr. Mearns, I believe, has not made a statement. Is that correct?

Mr. GUNDERSON: Mr. Mearns has been in the electrical business all his life; that is his business.

So far as I am concerned, I made a statement here that I intended to resign as executive director, possibly within the next year, or certainly as soon as the bank was operating, if I were a director.

I might also mention another point which was raised here, with reference to me as a director. One of the co-chairmen of the hydro is a director of another national bank.

Mr. MACALUSO: I am just questioning this. You are a director of the B.C. Hydro and Power Authority. What is your intention if this bank gets a charter and you are a permanent director?

Mr. MEARNS: I do not know. We have started as provisional directors, and I suppose we will leave it up to the shareholders.

Mr. MACALUSO: That leads me to another question. You are the shareholders at the present time?

Mr. MEARNS: That is right.

Mr. MACALUSO: What would be the position—

Mr. BURKE-ROBERTSON: No, No. There are no shares issued.

Mr. MACALUSO: After this bank is incorporated there will be five shareholders as permanent directors.

Mr. BURKE-ROBERTSON: No, there will not.

Mr. MACALUSO: Well, what is to happen to the five provisional directors, then?

Mr. GUNDERSON: We may not be elected.

Mr. MACALUSO: I doubt that very much.

Mr. MEARNS: Is there anything improper about a director of Hydro, or the co-chairman, as Mr. Gunderson mentioned, being a bank director?

Mr. MACALUSO: I have some doubts in my own mind whether an individual who is involved in a Crown corporation, especially at the top, should be involved at the top in a financial institution.

Mr. BURKE-ROBERTSON: This would suggest a review of all existing banks, then, would it?

The CHAIRMAN: Excuse me; perhaps we might refer that question to Mr. Elderkin.

Mr. ELDERKIN: Not by statute, because, as has already been stated, one of the other chief officers of the Hydro is the director of a bank.

Mr. MACALUSO: It may be the Bank Act will be amended to that effect, too.

Mr. ELDERKIN: Not in the present bill.

Mr. MACALUSO: That does not mean to say it will not be.

Mr. ELDERKIN: No; that is up to Parliament.

Mr. BASFORD: The problem here is a very obvious one. This is presented to us as an application by five private businessmen from British Columbia. Three of them, very obviously, are private individual businessmen. Two of them, in effect, are senior civil servants. Mr. Gunderson is executive vice president, Pacific Great Eastern Railway which is a provincial body, and executive director of the British Columbia Hydro and Power authority, and in the year 1965 received salaries from the province of British Columbia of \$31,000. He can hardly be described as a private businessman; he is a civil servant. So is Mr. Mearns. That is the issue here—that of the five applicants two are civil servants.

Mr. BURKE-ROBERTSON: But they are not disqualified, Mr. Basford, under the Act at the present time, or under the act as proposed.

Mr. BASFORD: I agree, Mr. Burke-Robertson, that there is no legal disqualification.

Mr. GUNDERSON: I would also draw Mr. Basford's attention to the top of the statement which I submitted. I am a senior partner of a firm of chartered accountants, and anything I earn just goes into the partnership. My main income comes from my business, not from Hydro, or from any other concern. As a matter of fact, I would not work for that fee.

Mr. BASFORD: Allow me to ask you, then, because I am left unclear: This statement you filed, showing for 1965 an income of \$31,000, is a statement of what was paid to you by Gunderson, Stokes, Walton and Company, is it?

Mr. BURKE-ROBERTSON: No; that is not quite right.

Mr. BASFORD: This is where I am confused.

Mr. GUNDERSON: All emoluments from positions held go into my partnership. I draw my income from the partnership.

Mr. BASFORD: Yes; but by whom was this \$31,000 paid, and to whom?

Mr. GUNDERSON: It was turned over by me and reported to my partnership. Everything I earn is turned in to my partnership. As far as I am concerned, these are just like fees from any other client. I have clients from whom I also receive fees. They go to the partnership.

Mr. BASFORD: So that I can be clear, and there is no confusion—because this is important both to me and to you, I think, Mr. Gunderson, the \$3,000 shown here is a payment from the Pacific Great Eastern to Gunderson, Stokes, Walton and Company. Is that correct?

Mr. GUNDERSON: Yes.

Mr. BASFORD: And that is the same—

Mr. GUNDERSON: That is the director's fee.

Mr. BASFORD: It is the same with the \$27,500 from the B. C. Hydro and Power Authority, and the \$500 from the—that is not a provincial body, is that correct?

Mr. GUNDERSON: I beg your pardon?

Mr. BASFORD: The \$27,500 paid by British Columbia Hydro was paid to you, and you, in turn, paid it to Gunderson, Stokes.

Mr. GUNDERSON: I, in turn, reported it to the firm.

Mr. BASFORD: May I ask—and I ask this not to be offensive, but because you seem to place a good deal of reliance on it—to whom the cheque is payable?

Mr. GUNDERSON: The cheque would be payable to me.

Mr. BASFORD: E. M. Gunderson?

Mr. GUNDERSON: Right.

Mr. BASFORD: Therefore, it can hardly be deemed a fee of Gunderson, Stokes, Walton and Company.

Mr. GUNDERSON: Surely if I turn it over to them it is a fee. Any cheque I get from a client, made out to me for a fee—

Mr. BASFORD: Why are the cheques not payable to Gunderson, Stokes, Walton?

Mr. GUNDERSON: Professional fees are handled like that. You would know that yourself.

Mr. BASFORD: Yes, I do; and if ever any client makes out a cheque payable to me I insist that he make it payable to the firm. That is correct, because they are partnership funds.

The ACTING CHAIRMAN: May I say that I suppose this is a technical detail that you are referring to, and it is relevant, I assume, to—

Mr. BASFORD: It is relevant to the question in that Mr. Gunderson is, in effect, a senior civil servant of the province of British Columbia. He is in exactly the same position, speaking on the federal scene, as the president of Central Mortgage and Housing Corporation, or the executive director of the Exports-Imports Insurance Corporation.

Mr. GUNDERSON: No; it is a little different. They are devoting their full time to it. In this particular case, even when I was minister of finance of the province of British Columbia, as far as I was concerned, that was just a fee. I consider these emoluments the same as a fee.

Mr. BASFORD: But that surely is a private arrangement between you and your firm.

Mr. GUNDERSON: That is right.

The CHAIRMAN: I think this is quite common amongst elected representatives.

Mr. BASFORD: Yes; but I suggest that it does not change the relationship between you and the agencies from which you derive the income.

Mr. GUNDERSON: I never said it did.

Mr. BASFORD: Well, I thought you were using this to say that you were not a senior civil servant. I cannot say that because I turn my sessional indemnity over to my firm—which I do not do, but many members do, I believe—it means that my firm is the elected member.

Mr. GUNDERSON: My only interest here was that everything I earn goes into the partnership. My income comes from the partnership; and this is only a fee.

Mr. BASFORD: Yes; but it is a fee as executive director of B. C. Hydro, paid to you.

Mr. GUNDERSON: That is right, I cannot deny that.

Mr. BASFORD: And because that is paid to you you are, in effect, for all practical purposes, a senior civil servant of the province of British Columbia

Mr. GUNDERSON: That is your interpretation but I have not denied the position, nor the fee.

Mr. BASFORD: I know that you are not denying it, but this is what Mr. Macaluso was getting at, that this application is purportedly by five private business men, and one is quite obviously not a private business man since he derives a very large income from the government of the province of British Columbia and I suggest can hardly be deemed a private business man in the province of British Columbia.

Mr. MACALUSO: If the bank does obtain a national charter does it intend to carry on business outside the province of British Columbia?

Mr. GUNDERSON: Yes.

Mr. MACALUSO: There are very definite plans for that?

Mr. GUNDERSON: At first most banks start as a regional bank. I suppose one of the first places that a branch would have to be opened would be down east.

Mr. MACALUSO: Ontario or Quebec?

Mr. GUNDERSON: That depends.

Mr. MACALUSO: Is it your intention to operate in the province of Ontario?

Mr. GUNDERSON: National banks operate across the country.

Mr. MACALUSO: I was not asking that. Is it the intention of the Bank of British Columbia to operate in the province of Ontario?

Mr. GUNDERSON: I could not answer that. It is our intention to operate anywhere we can open a branch and make money.

Mr. MACALUSO: You intend, from what I see in a clause of the bill, that the majority of the directors and the majority of the executive officers should be residents of the province of British Columbia. I see this in clause 5. In your presentation before the Senate Banking and Commerce Committee and also here, you seem to show that there is a bias with the present national banks; that they seem to have an eastern flavour to them in operating, say in British Columbia, or Alberta. That is what I infer from your presentation. Is that correct?

Mr. GUNDERSON: That is correct.

Mr. MACALUSO: Tell me, what is the difference? Your head office will be in B.C., and if you intend to operate nationally, you intend to create, I gather, a bias the other way, a western bias—a B.C. bias?

Mr. GUNDERSON: I do not think we intend to create any bias.

Mr. MACALUSO: That is the term I used before, with which you agreed, and that is the term I am using now and you disagree with it.

Mr. GUNDERSON: No. I do not quite get your point.

Mr. MACALUSO: I said, that which I inferred from your presentation to the Senate, that there was an eastern bias, with which you agreed. Now you disagree with me, and say that there would not be a sort of western bias. I do not mean it in a critical way; I mean it just in a geographical sense.

Mr. LEBOE: I would just like to point out that prior to the recess we went into this question very deeply, and we are really going over old ground.

Mr. MACALUSO: I do not believe, Mr. Chairman, that because some member questioned it, another member cannot. It has not been my experience that that has precluded one from asking another question.

The ACTING CHAIRMAN: That is perfectly correct.

Mr. GUNDERSON: I think you will realize that men are conditioned by the environment and the places where they live and they get to know the people better. That is all.

Mr. MACALUSO: Then are you not disagreeing with my statement?

Mr. DIETRICH: The main objective of the bank is to serve industry and the citizens of the province of British Columbia. That is the main intent to start with. I would imagine that as the bank grew we would expand the facilities and it could be outside the province.

Mr. MACALUSO: Would you say that the present national banks are not serving the citizens and the industries of British Columbia?

Mr. DIETRICH: No, I would not say that, but I would say as I explained to Mr. Deachman, earlier, that a locally-based bank, with its directors, chief executive officers, and the President there, will be much closer to the requirements of industry and the citizens of the province of British Columbia. I also feel that it will help the other banks because the other banks in competition in a free enterprise system will have to give their regional managers and superintendents more authority. It can only be more healthy for the province of British Columbia.

I think Mr. Deachman and Mr. Basford are both interested in what is good for the province of British Columbia; at least, I sincerely hope so.

Mr. MACALUSO: I can tell you, from my experience of these gentlemen, that they sincerely are. Perhaps that is why their questioning is as concentrated as it is.

The ACTING CHAIRMAN: Mr. Macaluso, I wondered if a member of the committee had additional questions here.

Mr. LAMBERT: I have an observation. It is obvious that the time of some of the members here would have been equally well spent at the time of the

hearing on the Bank of Western Canada, when some of their particular friends were putting forward a bank on precisely this basis, and it went through without this type of questioning.

The ACTING CHAIRMAN: Perhaps I should not be assessing it, Mr. Lambert, but there seems to be a feeling amongst some of the members, who are critical, that there is a lack of information which was available in the case of the Bank of Western Canada.

Mr. LAMBERT: The Bank of Western Canada, if I may suggest with respect, was a considerably different type of operation.

The information which was being elicited at that time was concerning the differences in operation, all the funds which had been deposited beforehand, and all the money which had been invested in certificates which were, in effect, options on shares. There was all this; and also the corporate structure which, I think, if people had paid attention to the Bank of Western Canada they would have noted, was a very complicated corporate structure between trust companies and investment companies. It was the type of information that was factual and it was brought forward. These gentlemen, if I may continue, have not, shall we say, got this corporate framework behind them, and, therefore, it is not necessary to question them on this particular aspect.

Mr. MACALUSO: Surely you are joking when you say it is not necessary to question on the corporate framework of a bank?

Mr. LAMBERT: If Mr. Macaluso will just be patient, I am talking about the framework of the investment and trust companies, starting with the York Trust and going all way down to Wellington and the Bahama corporations, and all of those things. Those were the matters which interested the committee. Here I find that on the basis of the questioning that is now going on is this so-called bias, and so forth. This was a proposition put forward by the Bank of Western Canada for the purposes of western Canada, and was readily accepted by the members of the committee from that side of the house.

Mr. MACALUSO: All I can say, Mr. Lambert and Mr. Chairman, is that the information brought forward by the Bank of Western Canada, no matter what their complex corporate structure was, was somewhat more frank and more forthcoming—more readily and voluntarily forthcoming—than has been the case here, as I understand it.

Mr. GUNDERSON: I object, Mr. Chairman.

Mr. MACALUSO: That was one of your statements and I disagree with it.

The ACTING CHAIRMAN: Order, please. Are there any additional questions?

Mr. DIETRICH: Could I just make one point that legally we could not go out and subscribe for shares; therefore, we are taking the proper approach, and as Mr. Elderkin has said, everything is in order. We could not go out and solicit the subscription of shares. It is just not legally right to do so. We have tried to conform to what the Bank Act requirements are, and that is what we have followed.

Mr. PUGH: Unless, from the sale of shares, you receive so much in, you cannot qualify under the Bank Act.

Mr. CLERMONT: If, as these gentlemen have said, they were not allowed to buy shares or certificates, how is it that the others were allowed to have certificates on a bank on which there was not yet a charter?

Mr. GUNDERSON: Mr. Elderkin will answer that.

Mr. ELDERKIN: What happened there was that the trust company, or the trustees, sold warrants to subscribe for the shares of the bank, if, as and when issued. The bank people had nothing to do with it.

Mr. CLERMONT: Can these gentlemen not do the same?

Mr. ELDERKIN: If they had started some time ago, they could possibly have obtained some trust company to do this operation for them.

Mr. CLERMONT: Furthermore, Mr. Chairman, when Mr. Lambert said that the Western Bank was questioned most on Wellington, they were questioned as to where they would get their deposit and many different questions were asked. I can prove this, and I can quote you question after question which related to the trust company.

Mr. LAMBERT: It is good to have Mr. Clermont with us.

Mr. CLERMONT: Some of them were asked by you, too.

Mr. LAMBERT: Yes, they were; but the assertions were made that the deposits would be obtained. It all depends on the assertions—

Mr. CLERMONT: When you were asking Mr. Coyne where they would get deposits and so on, and whether the bank would be a good thing, he was asked that question by a member of your party.

Mr. LAMBERT: I quite agree; because he had made the assertion that it would be good.

Mr. WALLACE: Mr. Chairman, I would like to try to answer, if possible, some of the thoughts that Mr. Davis and others have put forward on questions concerning banking, and our association with it.

I think all of this group are painfully aware of the fact that we are business men and not bankers. It would have been quite simple for us, somewhere along the line, to have retained the services of a banking expert, either in a consultant capacity or as an advisor to us, and to have prepared all the hypothetical cases that could be brought up with a \$25 million initial capital, what we would need in deposits and how we would go about developing a business.

We would then have had to support somebody else's opinion, and, once again, we are not qualified; but we are qualified, I believe, to appear before this committee and present our petition.

To go on to the next aspect that keeps coming up, of why do we need a Bank of British Columbia, I would just like to put it again to you, particularly those people from British Columbia, that the day will very shortly come, with the industrial development in British Columbia, that there is going to be great opportunity for those of us in British Columbia to go ahead and develop our own industry.

It must be obvious to you that somebody with a manufacturing concern in Ontario, who wants to duplicate the facilities in B. C., and who has already an

established company with an established line of credit, is going to be very tough competition to a group of business men associated with myself, who decide to go into the same business in British Columbia, and have to come down east and ask for money, and establish their line of credit in order to start a business of the same style in our own particular province.

I would venture to say that this pretty well states the case, that if we have our own bank and our own support trying to develop British Columbia industry, we will be far more successful than if we have to revert, as we do now, to the present national banking system, with the vast connections that are down here and the rather limited credit that we presently have in western Canada.

It seems to me that these two things are obvious, and I do not know why we have to keep repeating them, Mr. Chairman.

The ACTING CHAIRMAN: Mr. Wallace, I am sure that you are well aware that seven members from British Columbia are here, plus a Senator in the wings. You can see just how very interested they are.

An hon. MEMBER: Plus an observer member of parliament.

Mr. BASFORD: Mr. Chairman, Mr. Gunderson told me this afternoon that he was within a year or so of retiring as the chief fund raiser for Social Credit in the province, and that he was going to retire as the executive director of the B.C. Hydro. I do not want to put words in your mouth, sir, but I think the explanation was that you were getting tired and wanted to take things easy. I am wondering why, if you want to start taking it easy after a very busy business life—

Mr. GUNDERSON: That is quite simple—my age.

Mr. BASFORD: Then I am curious about why you will not give me an undertaking that you will not be a principal officer of the bank.

Mr. GUNDERSON: I will not be a principal officer of the bank. I can give you that undertaking. I told you before that I would not be president, or an executive officer, or any important officer of the bank.

Mr. BASFORD: Sir, I must have misunderstood you this afternoon, because I invited you to give me that undertaking.

Mr. GUNDERSON: I think I said it quite clearly.

Mr. BASFORD: I certainly never gathered that I had that assurance. Do I now understand—

Mr. GUNDERSON: You may have thought—

Mr. BURKE-ROBERTSON: I think Mr. Gunderson was referring to a directorship. He thought you were referring to a directorship.

Mr. BASFORD: Let us clear it up, then. Do I take it that you are giving this committee an assurance that if this bill is passed you will not be an executive officer, or a member of the executive committee of the Bank of British Columbia?

Mr. GUNDERSON: Right.

Mr. BASFORD: You give this committee that solemn assurance. Thank you. That clears up that one.

I take it you are not prepared to give us an assurance that you will not be a director of the bank.

Mr. GUNDERSON: No.

Mr. BASFORD: Will you tell us whether you will seek to be a permanent director after the bank is organized?

Mr. GUNDERSON: The directors will be appointed by the shareholders. I would not seek to be a director. If the shareholders want me to be a director, I will be honoured, and would accept.

Mr. BASFORD: Some have honour thrust upon them and others seek it.

Do you desire to be a permanent director of the bank?

Mr. GUNDERSON: I have already answered that.

Mr. BASFORD: I think we should clear up things and I do not recall your answer.

The ACTING CHAIRMAN: I cannot intercede in this, Mr. Basford; I was here, but I would not like to verify what Mr. Gunderson said.

Mr. BASFORD: We had a misunderstanding about the executive officership, and I am just trying to clear up any possible misunderstanding that there might be.

The ACTING CHAIRMAN: Would you like to put your question again?

Mr. BASFORD: My question is: Do you desire to be a permanent director of the bank?

Mr. GUNDERSON: I would consider it an honour to be elected a director of the Bank of British Columbia.

Mr. BASFORD: I take it that you, like all of us, desire honour.

Mr. WALLACE: Mr. Chairman, in partial answer to Mr. Basford, there are four of us here, other than Mr. Gunderson, who would seek actively to see that Mr. Gunderson does in fact become a permanent director of this bank. Is that any answer to your question?

Mr. BASFORD: Yes; a somewhat unsatisfactory one, but it is an answer.

Mr. MORE: Mr. Chairman, I do not know the relevance of this. I take it that none of these gentlemen has any criminal record, yet Mr. Basford has spent the day trying to prove that Mr. Gunderson is not a fit man to be a party to this application, or to sit on the board. He has produced no evidence at all to other members of the committee. If this is going to be continued and we are not going to get any further, I think it is only reasonable that he should produce the evidence which has convinced him of this, so that the members of the committee have a basis to make their own determination.

The ACTING CHAIRMAN: I think that Mr. Basford now has his answers.

Mr. BASFORD: For the moment.

The ACTING CHAIRMAN: It is really the duty of the Chairman to protect the witness.

Mr. DAVIS: I can understand it if the five gentlemen from British Columbia, who are sponsoring this bank, feel somewhat frustrated. I think if they were to put themselves in the position of the members around this table they would perhaps realize that we have reason to be somewhat frustrated.

Reference has been made to the incorporation of the Bank of Western Canada. When I read that bill it said that the capital stock of that bank would be \$10 million. I read this bill, and I read that the capital stock of the bank shall

be \$100 million. I was afforded the impression that this bank would be ten times as large.

Mr. ELDERKIN: No; twenty-five million dollars in the Bank of Western Canada, Mr. Davis.

Mr. DAVIS: Twenty-five million, was it?

Mr. ELDERKIN: It was always \$25 million.

Mr. DAVIS: Twenty-five million of authorized capital.

Mr. ELDERKIN: Authorized capital.

Mr. DAVIS: Authorized capital. The capital stock in this case is also authorized capital?

Mr. ELDERKIN: That is right; only authorized capital.

Mr. DAVIS: Therefore, if this bank were to fully exploit the provisions of this bill, it would be a bank of the order of four times bigger than the Bank of Western Canada.

Mr. ELDERKIN: No.

Mr. DAVIS: Is that a wrong conclusion on my part or not?

Mr. ELDERKIN: It has four times the authorized capital, but it does not necessarily become four times as big a bank. You will realize that it has to be successful to grow at all.

Mr. GUNDERSON: I also think that you realize that it is the issued capital that you deal with. The authorized capital here was set at a hundred million dollars when the government was going to participate, and there was no use changing it. It gives you an opportunity to issue more shares at a later date. You do not need to issue them all at once. I hope that they are all subscribed. It would put the bank in an excellent position.

Mr. DAVIS: Personally, I hope so, too. I want a Bank of British Columbia, and I want it to be successful; but I do want to understand certain of the aspects of this proposition, and one of them is the scale of the likely operation.

Mr. GUNDERSON: Mr. Davis, I mentioned this afternoon that before we came here last time some investment houses had assured us that we would have no trouble raising \$25 million. We felt that we could raise more than that.

Mr. DAVIS: Under questioning, when the Premier, Mr. Bennett, was before the Senate just over a year ago, he said the shares might be issued at a price of between \$20 and \$30.

Mr. GUNDERSON: If you read our brief, we say \$25 to \$30.

Mr. DAVIS: All right, \$25 to \$30. This would mean—again on the assumption that the provisions of the bill were fully exploited by the Bank of B.C.—that the capital and reserves, or the shareholders equity, would be of the order of \$250 million to \$300 million, if my arithmetic is correct. Taking full advantage of this bill, and always on the assumption that the Bank of B.C. is eminently successful, you have a bank of the order of magnitude of the Royal Bank of Canada which I understand has a shareholders' equity of slightly over \$300 million; and there are the other banks—the Bank of Montreal, \$216 million—with figures of that order of magnitude. In other words, the Bank of British Columbia, if it is successful and takes full advantage of the provisions of the legislation you would like us to pass, will be one of the biggest banks in Canada.

Mr. GUNDERSON: It could be, assuming it is successful, and so on.

Mr. DAVIS: That gives me an idea of the scale of the bank and I also have the impression, I could be wrong, that in order to be that big the bank would have to have deposits of the order of magnitude of ten per cent of the deposits of Canada or of the order of magnitude of all the deposits in B.C. at the present time. Is that a correct statement, or is it wrong?

Mr. ELDERKIN: I would suggest, Mr. Davis, by the time that the bank could possibly grow to that size that the deposits of Canada would be also proportionately larger than they are today.

Mr. DAVIS: We are obviously in a dynamic situation; nothing stands still. I assume that the Bank of British Columbia will not grow very rapidly if the economy does not. Again, I am trying to get a dimension here. This bank, if it is to fulfill some of the expectations of the sponsors, has certainly to appeal to a lot of depositors, and I assume the majority are out west.

Could I ask what types of deposits the bank would be most interest in, or have the sponsors any idea? They are presumably interested in industrial development, industries which, if not peculiar to British Columbia, have problems in British Columbia that are a little different from the problems in the rest of the country. Is that an area of specialization? It is a matter of emphasis, but is it an area of specialization?

Mr. GUNDERSON: It would be an area where a regional bank would be more successful. I think we are after all types of deposits.

Mr. DAVIS: Yes, I realize that you would act like the other commercial chartered banks do, but you have a special motive here and the motive is to meet the special problems and serve the special requirements of the area of British Columbia. What degree of or tendency to specialization would this lead you to? You must have discussed this to some degree with the people you talked to before you made the application.

Mr. GUNDERSON: Well, if we could say what industries are going to develop the fastest in British Columbia we could possibly give a better answer. But, as I mentioned before, we will be appointing a president and chief executive officer of the bank and it will be run by him in a banking manner, the same as any other bank is run. I hope he does not make any bad loans. I hope he is just as careful as the other banks. Even then, we are always under the supervision of the Inspector General of Banks.

Mr. MACALUSO: Did I understand you to say you did not know which industries would develop more quickly in British Columbia?

Mr. GUNDERSON: The way things are developing it is difficult to say which industries are going to make the greatest progress. Mining is very active at the present time. Most of our income, as you know, comes from the forest industry. But, we are also looking for secondary industries, and that is one phase in which we think a Bank of British Columbia would be valuable.

Mr. MACALUSO: You are uncertain as to which secondary industries may develop; you have no doubts to the main or basic industries?

Mr. GUNDERSON: That is right.

The ACTING CHAIRMAN: Mr. Wallace?

Mr. WALLACE: Mr. Chairman, again I, as an independent member of this provisional board would try to answer Mr. Davis. Certainly if this bank is dedicated to the building of British Columbia and for the benefit of its citizens, and if I was a permanent director, it would be my job in part to carry the message of the bank to every school board; every hospital, and every government agency that I could. As a director of the bank I would say now look, we are here to serve you, to serve your community; we think you should deposit your money with us. It is just that simple, is it not? I can do this with as much interest as any other commercial bank. You would not ask them to lend you their money under any other conditions. But if this bank is dedicated to serving the interests of British Columbia, it becomes natural that we look to all British Columbians and hope that we could get as many of them to deposit with us as possible, whether it be a government agency or a private company—and to me, this is natural. It does not matter about Mr. Mearns or Mr. Gunderson because I think this way probably much more than they do, that if the bank is going to be successful we need deposits, and the deposits should come from every possible avenue that we can explore or sell the whole idea behind the bank to. Government agencies will be one of them. We should be after school boards or any group that has money to go on deposit on the basis that we are a British Columbia bank and we need your money to help us build B.C. and make the bank successful. It seems to me to be that simple. It does not have to be spread out to Mr. Gunderson or Mr. Mearns. We will all be doing this and I think you would expect us to do it.

Mr. DAVIS: Yes, but really the B.C. Bank is going to behave as a commercial bank and the appeal is going to be in commercial terms and not a local patriotism. It is essentially going to be business considerations? I have one other question. Is there any expectation on the part of the provisional directors of the Bank of B.C. that the government of B.C. and some or all of its agencies, perhaps including municipalities, will make their deposits exclusively with the Bank of B.C. when they have surpluses, working capital and so on.

Mr. GUNDERSON: I would not expect this. The province deals with about three banks. I hope that we can get some of the business. We are going to offer as good interest, and we will try to get some of their business.

The ACTING CHAIRMAN: I was wondering if it was the feeling of the committee that we perhaps now consider the bill clause by clause. Perhaps your questions could be directed more specifically to each clause.

Mr. BASFORD: Mr. Chairman, could I ask one or two general questions?

The ACTING CHAIRMAN: That is fine, you go ahead.

Mr. BASFORD: Is the intention of the bank to purchase securities of the province of British Columbia or its agencies?

Mr. GUNDERSON: I would imagine if they had funds available for short periods they might put money into that. It would be up to the Board of Directors. In the first place, I presume how to make the best use of the money would be up to the president who was running the bank.

Mr. MEARNS: I think, Mr. Chairman, we would probably operate in the same manner as all the other banks.

Mr. GUNDERSON: Exactly.

Mr. MEARNS: I do not think there will be any difference. We feel that we will be a bank operating in the same way. I think this would be our intention.

Mr. BASFORD: If the Board of Directors is susceptible to persuasion by the premier of British Columbia it could very easily be a very ready source of cash for the provincial government.

Mr. BURKE-ROBERTSON: Mr. Basford do you think it is proper to assume that any government or the premier of any province will misuse his authority, or that the directors of this bank will do anything to jeopardize the interests of their depositors?

Mr. BASFORD: I have lived in the province of British Columbia for a good many years and I think the premier is capable of most anything.

Mr. LEBOE: You forgot one word, the word "good", most anything good.

Mr. MACALUSO: Oh, you are biased, Bert.

Mr. LEBOE: We know where the bias is.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): May I ask a supplementary question to that?

The Acting-CHAIRMAN: Yes, Mr. Cameron.

Mr. CAMERON (*Nanaimo-Cowicham-The Islands*): Is it part of your duty, Mr. Elderkin, to keep an eye on the areas in which credit is granted by banks to see that no undue amount goes into one area rather than another?

Mr. ELDERKIN: Are you speaking of fixed areas of industry or geographical areas?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Economic areas.

Mr. ELDERKIN: With regard to economic areas, we do, very definitely.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You have, I believe, 29 categories?

Mr. ELDERKIN: That is right and we receive monthly reports on all large loans in all those categories.

Mr. Basford, I might add something here with regard to your question or concern about over-investment in provincial securities. No bank can afford to do it. We consider that a bank should be approximately 30 per cent liquid, and when we are speaking of liquidity we regard this as Government of Canada securities and cash.

Mr. BYRNE: This is enforceable within limits in these categories?

Mr. ELDERKIN: Only on an advisory basis, but we do not have any trouble with it.

Mr. DEACHMAN: May I ask a supplementary question now?

The ACTING CHAIRMAN: Yes.

Mr. DEACHMAN: I wanted to ask if cases have arisen where you found a bank was not in that position what steps are available to the government when that happens?

Mr. ELDERKIN: Well, theoretically the only step that is available to the government is advice. Any bank that gets itself in that position is taking a very dangerous road because if it gets a demand for liquidity—in other words, if it gets a demand which it has to meet, say, its commitments under its loans and so on—it can only turn to one place for liquidity without taking very serious losses.

I would not expect a bank to be stupid enough to get into a position where they are going to take serious losses I have not seen it happen.

Mr. DEACHMAN: I have just one more question, to follow up, Mr. Chairman, and it is directly on this question. Do I understand the federal government's only recourse then is to advise the bank that it should not be doing that.

Mr. ELDERKIN: That is right. There is nothing in the Bank Act which can compel a bank to maintain a certain liquidity outside of the cash and secondary reserves qualifications.

Mr. DEACHMAN: So a strongminded president of a bank, who felt that that was the direction in which he should go, irrespective of your advice, could indeed follow along that line and there is not available to the federal government any authority or powers to restrict the bank in taking that course.

Mr. ELDERKIN: If I advised the Minister that in my opinion the bank was insolvent, the Minister is required to appoint a curator of the bank.

Mr. GUNDERSON: May I ask a question? Mr. Elderkin, in a case where they possibly have not satisfactory loans, do you notify the chairman of the bank and the directors about that?

Mr. ELDERKIN: If you mean on unsatisfactory loans, yes. Not only do I notify the directors but the auditors of the bank are required by legislation to notify the directors.

Mr. GUNDERSON: So, if we, the directors, appointed an executive officer and president of a bank and he got into that position, the best thing to do would be to get rid of him and get another man.

The ACTING CHAIRMAN: Mr. Pugh you have a supplementary to that?

Mr. PUGH: Well it has been pretty well answered now except for one thing. Is your advice made public, sir?

Mr. ELDERKIN: No.

Mr. PUGH: It was suggested that it went to the directors, perhaps, but what about the shareholders?

Mr. ELDERKIN: No, but I reiterate what I said a few minutes ago, namely, that it is up to the auditors to report to the shareholders if there are unsatisfactory practices going on in the bank. This is specifically laid down in the Bank Act.

Mr. GUNDERSON: We would have to appoint auditors, two auditors the same as the other banks.

Mr. ELDERKIN: That is right, auditors who have had a considerable amount of experience and who are recognized members of a provincial institute.

Mr. PUGH: One of the auditors could not be a director of the bank?

Mr. ELDERKIN: This is forbidden, completely forbidden. As a matter of fact no member of his firm can be connected with the bank.

Mr. BYRNE: I want to apologize to the committee, Mr. Chairman, and to assure the committee that I do not want to be in a position of asking questions that may have been asked earlier. I have been unable to attend the hearings thus far today.

I was interested in what Mr. Wallace said about the developments in British Columbia, and that there was a grave danger that the banks with head offices in eastern Canada would become parochial and refuse to grant loans in

British Columbia to industry that may be in opposition to industry in eastern Canada. Is there any evidence available to substantiate that suggestion?

The ACTING CHAIRMAN: This question, I think, was asked this afternoon and perhaps you might like to give a short answer?

Mr. BYRNE: Well I apologize the committee for not being here but this sounds very interesting.

Mr. WALLACE: My answer to you, sir, is I do not think so. There are, obviously, and always will be,—and I am quite sure there are in Ontario—many people who complain about the banking system because they cannot get the money they want. This, I think, more or less goes across the country. People who do not get money for one reason or another have a good reason to dislike the banking system, so they try another bank. Sometimes they get and sometimes they do not. There is one fact that it must be obvious to you, that we are remote from the financial centre of the country.

Mr. BYRNE: It does not appear to have hindered the development of British Columbia up to now.

Mr. WALLACE: I would say not. Obviously we are going ahead. But the time will come when established industry in eastern Canada, as power comes in and our population does develop, will consider making a move into our area. It may be at this point that British Columbia businessmen would like to get into that business. We would have to raise money, buy machinery, get the know how and start from scratch. But, I would suggest to you that the person with the established industry and the established line of credit in eastern Canada is going to have terrific advantages over us unless we have some avenue closer to home to get money to help us with our own development. By forfeit we are going to lose the chance to invest in our own province.

Mr. BYRNE: Do you believe then, Mr. Wallace, that there is a danger of a financial institution becoming sectionalized—that is, they are going to favour one section of Canada over another when there appears to be an opportunity for the bank to loan at a reasonable risk.

Mr. WALLACE: You misunderstood me, sir. The industrial development of British Columbia is going to be a competitive affair, and industrial people from all over the country will want to take part in it. I say now that the residents of British Columbia are at a distinct disadvantage because they have to start from scratch, arrange a line of credit and get into a new industry. Now, I think we should have this opportunity. What I am saying to you is that established industry here that wishes to move out into our province and set up another plant, another manufacturing facility, has at the moment considerably greater advantage than we will have without our own source of funds and our own effort in our own particular province to develop our own potential. It is loaded very much in favour of the eastern manufacturers, I would say, at this moment.

Mr. VALADE: You say that foreign industries have more facilities than the local businessmen, and I do not understand this clearly. Are you prejudiced right now in your business?

Mr. WALLACE: No, I am not prejudiced at all. Let me make an analogy. Say we have a plant that is manufacturing furniture here in eastern Canada, and they are manufacturing successfully and making a profit; they have a line of

credit and they look at the situation in British Columbia and wish to move out there. Perhaps a group of we British Columbians see the same opportunity and we want to establish our own business. Right now, I would say that if we had to come east to raise possibly \$5 million, as against a company that is already a going concern and has the money available to them, our chances would be very remote in investing in our own potential. There are other people who could make a quicker or faster move toward it. This to me seems obvious. It is not a question of bias or anything else, it is just a common marketplace, and how it fits. Unless we have our own money available to us and people who are willing to go along with a network of people in British Columbia to develop their own potential then the balance, I say, is very much loaded in favour of those who would come in from outside.

Mr. VALADE: I just wanted to underline that Mr. Wallace's expression is analogous to Mr. Rene Levesque, when speaking on Quebec's nationalistic problems, mostly in the economic section. This really has made a hit with me, Mr. Wallace.

Mr. WALLACE: I do not think there is anything national in that at all. I think regionally we want to develop our area. This is for the good of the country at large.

Mr. BYRNE: You feel this is prejudiced by the fact that we do not have a bank with headquarters in Vancouver or British Columbia? This is your conviction.

The ACTING CHAIRMAN: Excuse me, I was just going to say, Mr. Byrne, that Mr. Valade has the floor.

Mr. VALADE: I just have one question.

Mr. BYRNE: I have not finished by questioning.

Mr. VALADE: I just wanted to ask one question on the offering of shares to shareholders. Will it be restricted to British Columbia or will they be offered at large?

Mr. GUNDERSON: They will be offered at large.

Mr. VALADE: I think that this destroys the sense of the argument that Mr. Wallace has just put forward.

Mr. BYRNE: That was my question, Mr. Chairman.

Mr. VALADE: I was just trying to ascertain the necessity of building it with B.C. financial power for the requirements of the B.C. people if in one sense the shares will not be restricted to British Columbia. This means, with a provisional board of directors, your bank could be conducted by the Royal Bank of Canada, so far as we know, for the next year or three years. Because of these contradicting statements, we do not have this assurance. I would like to be clear on this.

Mr. WALLACE: I am sorry you feel I am contradicting something.

Mr. VALADE: The question was quite clear to me, but I just wonder why the statement was made that the idea behind the bank was to build financial strength within the borders of B.C. and then the statement was made to the effect that the sale of shares will not be restricted within the borders of B.C. I would like to have some explanation of this.

Mr. WALLACE: We have a bank in British Columbia that is tied to the region. Our development in British Columbia is far different from the development of Ontario or the development of Quebec. Basically, as you see in our brief, we are an export province. We are probably getting close to the day when our population will be large enough and our power potential will be such that we can develop more of these manufacturing industries.

Mr. VALADE: This is my point, Mr. Chairman. I am just making a statement, if this can be accepted. If this is not the case, and if the controlling shares cannot be restricted within the borders of B.C. then how is it that the industrial sector will have more facilities to acquire credit from that bank compared to the so-called difficulty they have now.

The ACTING CHAIRMAN: Mr. Valade, section 5 of the bill, I think, is very clear, that a majority of the directors must reside in the province of British Columbia and a majority of the executive officers must reside in the province of British Columbia.

Mr. VALADE: Well then, the previous statement was, Mr. Chairman, that the shareholders will elect the directors. If a majority of shares are not controlled within the borders of B.C. then the shareholders can elect directors which may not necessarily reside in B.C.

Mr. WALLACE: There will be no choice.

Mr. VALADE: The statement is not within that scope.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): May I ask my question now?

The ACTING CHAIRMAN: Well I think Mr. Valade has to have an answer.

Mr. VALADE: I think the gentleman is going to answer.

Mr. BURKE-ROBERTSON: Mr. Valade, the shares will be sold across the country and a majority of the shareholders will elect the directors, but under section 5 of the bill a majority of the directors must reside in British Columbia. So, those are the only directors available for election.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I wonder if we could turn again, Mr. Elderkin, to the question of your powers of control over the credit policies of the bank. Could you tell us how far you would permit a bank to get out of balance in its credit allocation before you would step into the picture. Could you perhaps expatiate a little more on the subject of the categories of credit which are the object, I think, of your concern.

Mr. ELDERKIN: One of the things we watch, Mr. Cameron, is the size of the loan portfolio in any particular one of the industrial classifications. We had some rather unfortunate experiences back in the thirties of banks which concentrated on industries such as the pulp and paper industry, and when the prices went all to pieces the bank had to take some very substantial losses. Our advice, normally, on this is that a bank should not be very much out of line in any particular industry with the general percentage of the loans of the country. Now, this will not apply too strictly because by the very location of certain banks they will have larger portfolios in one industry perhaps than in certain others. I could give you an example back in 1952, when one of our banks concentrated in the loan business of the textile industry. At that particular time the wool market in the world had dropped very substantially and a great number of people were of the opinion that it had reached the bottom. We found

that this bank was lending very heavily for wool purchases. Our information, collected as it was through the central bank and other sources, was that the bottom had not been reached by any means at this time. We suggested to the bank that they would be doing a disservice not only to themselves but to their customers if they allowed the customers to build up big inventories at the present prices. The bank took the advice. We never suggest to a bank that it should call a loan, never under any circumstances; nor do we ever say to a bank that it should not make a particular loan, but we sometimes say to a bank, we think you are far enough extended in a particular classification of loans. We have done this with sales finance companies from time to time. We did it on that particular occasion with the textile industry.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are there any pressures, Mr. Elderkin, that could be brought to bear on the bank, possibly by the central bank, if a bank were obdurate and refused to accept your advice? Are there any pressures, overt or covert?

Mr. ELDERKIN: The central bank has no authority over individual banks.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I know.

Mr. ELDERKIN: The central bank works entirely on monetary policy which affects the banks as a whole. Now it may effect the banks unevenly because of different circumstances but no policy of the central bank is applied to an individual bank. For instance, under the new bill they will have authority to call for secondary reserves, but if they do call it will be for the banking system as a whole and not to an individual bank.

The ACTING CHAIRMAN: Mr. Macaluso?

Mr. MACALUSO: Mr. Elderkin, you mentioned earlier, when I was asking questions about senior officers of Crown corporations being involved in banks, that there was one other example. Could you give me that example please?

Mr. ELDERKIN: I am sorry, but I did not hear your question.

Mr. MACALUSO: In answer to my previous question dealing with senior officers of Crown corporations being involved with a national bank, you stated there was another example. Could you give me that example, please?

Mr. ELDERKIN: Dr. Keenleyside of the B.C. Hydro is a director of the Toronto-Dominion Bank.

Mr. MACALUSO: What is Dr. Keenleyside's position with the B.C. Hydro?

Mr. GUNDERSON: Co-Chairman of the Board.

Mr. MACALUSO: In your opinion, apart from the legal aspects, do you think that a senior officer of a provincial crown corporation should have a financial interest in a national bank?

Mr. ELDERKIN: I cannot think of any particular objection, Mr. Macaluso.

Mr. MACALUSO: None whatsoever, if the income of that officer is solely from that, as his sole occupation?

Mr. ELDERKIN: His income as director of the bank is not going to be very large.

Mr. MACALUSO: I am not concerned with his income from the bank, but with his influencing policy. There is an illusion in my mind, which I would like to get resolved.

Mr. ELDERKIN: If we take the Toronto-Dominion Bank, I think, if I remember rightly, it has 46 directors. I doubt if one individual director influences policy to any great extent.

Mr. MACALUSO: How many directors is it proposed that this bank have?

Mr. GUNDERSON: That is difficult to say. Possibly 15 to 25. We will start off with about 15 possibly and then, as it grows, add them on the same as the other banks do.

Mr. MACALUSO: There is a question in mind about whether it is right that a civil servant really should be involved—or whether, in fact, he should have to quit one job or the other as at the time that you become a provisional director.

Mr. GUNDERSON: I presume that could be brought up when the Bank Act is discussed.

Mr. MACALUSO: This is a question that has nothing to do with individuals; it is a question which—

Mr. ELDERKIN: I think, really, if you want a prohibition here, it should be in the provincial statutes, not in the federal.

Mr. MACALUSO: We do not have any power over provincial statutes, though.

Mr. ELDERKIN: If they want to prevent any of their senior civil servants from becoming bank directors it would be a very easy thing to do.

Mr. MACALUSO: We do not control provincial statutes; we only control federal statutes. The Bank Act seems to be the easiest one—

Mr. ELDERKIN: From the federal side I do not see that there is any objection to it; that is all.

Mr. MACALUSO: You can see that—

Mr. COMTOIS: Mr. Chairman, I believe that the members of the Committee are convinced of the necessity for a new bank in British Columbia, but I do not believe that we are convinced that these distinguished gentlemen are the most able persons to start a new bank. I believe that it is your duty to convince us, gentlemen. From what Mr. Wallace has said, he wants to do exactly what he is complaining about in other banks. He wants to do for British Columbia what he says other banks are doing for Toronto or Montreal. Therefore, the whole idea of this new bank is, let us say, to be as bad as the others. I believe that this bank should be called the British Columbia Separatiste Bank, from what Mr. Wallace said, because I am not at all convinced that if I wanted a loan from the British Columbia bank that I would get it, because I do not live in British Columbia. Gentlemen, you had better have some very good arguments do convince me that your business would be better than the others, because that is what you want to do. When you cannot answer some question you say, "We will comply with the Inspector General." We are the Committee—we are not the Inspector General. In all your answers you are saying, "We will comply with the law," and "We will comply with the inspector." That is not what we want to know. We want to know exactly whom you represent. With the Western Bank, I believe, we knew exactly the interests represented by those people, but we do not seem to get any answers about the interests that you are representing. For myself, I would like to very much know.

Mr. BURKE-ROBERTSON: The reason, Mr. Comtois, is that that bank was already organized, in a sense. Its financial structure was already in existence

through a series of trust companies involved, which had issued certificates enabling the holders thereof to apply for shares in the new bank as and when incorporated; and that particular bank, which was organized in that sense, also had, as one of its promoters, a financier of considerable standing, Mr. Sinclair-Stevens, and also had a former governor of the Bank of Canada.

None of the present provisional directors, of course, is a banker or a financier, but there is no requirement in the Bank Act that applicants for a charter should be bankers. The qualifications for directors are set out in the present act and proposed in the new bill, and none of those qualifications confines, to the class of bankers, those persons who may apply to parliament for a charter.

The present provisional directors are applying to parliament, but it is not required that they should organize their bank in advance. If parliament says that they may have a charter, then they have one year within which to organize the bank, collect sufficient money, get the whole thing on a proper footing and retain the services of qualified banking personnel to manage it.

They then proceed to approach the Treasury Board to satisfy those gentlemen that they are properly organized to run the bank.

This Committee does not, as far as I know, consist of bankers and financiers, therefore they could not really advise parliament on that score; and the provisional directors are also not bankers, or financiers, and they are not in any better position.

Mr. COMTOIS: As I see it—and I am not a banker—you would like to have a blank cheque and try to operate the bank—try to get money and try to find the people to run it.

Mr. BURKE-ROBERTSON: I think, Mr. Comtois, that perhaps the advisors of this Committee from the Inspector General's branch could explain more adequately than I the basis upon which applicants appear before parliament to obtain a charter.

I think I am correct, sir, in taking the view that such applicants are not required to appear here fully organized to go into business. Is that correct, Mr. Elderkin?

Mr. ELDERKIN: That is right.

Mr. COMTOIS: No; but you see, sir, it would give us a very good idea if you had been.

Mr. BURKE-ROBERTSON: I may be wrong on this, but I think there was some criticism by this Committee of the fact that the directors of the Bank of Western Canada had proceeded as far as they had done by way of making preparations for a charter before it was issued to them.

Mr. COMTOIS: Not from me, sir.

Mr. GUNDERSON: I might say, Mr. Comtois, that there is nothing to prevent the Bank of British Columbia from making a loan to you, you know. We would make them anywhere. As a matter of fact, the government loaned several millions to Quebec.

Mr. COMTOIS: Yes, I know, sir; but you see you are complaining about the situation and you seem to want to do the same thing.

You must have other arguments to convince us that you really are the better group to organize that bank.

Mr. BURKE-ROBERTSON: Do we have to prove that we are better than the existing banks? Is that what you mean, Mr. Comtois?

Mr. LEBOE: Perhaps, Mr. Chairman, I could get into this thing again on a personal basis to give you an understanding of what we are up against as a businessman in western Canada. The banks in Vancouver have a ceiling on what they can loan in Vancouver.

Mr. CLERMONT: That is not so.

Mr. LEBOE: Do not tell me it is not true, because it is true. I know, because many of my people have gone on an aircraft to Toronto or Montreal to the head office to get loans approved. They could not get them approved in Vancouver, because they said, "This is beyond our jurisdiction".

Mr. COMTOIS: It will be exactly the same thing—

Mr. LEBOE: This is the point. If you have—

Mr. Comtois:—because we will have to go to Vancouver to get our loans approved.

The ACTING CHAIRMAN: Order, please.

Mr. CLERMONT: Mr. Gunderson, you said that your government had loaned some money to Quebec, which we know. It represented about \$20 to me. It loaned \$100 million.

You mentioned that Mr. Comtois could have a loan from the projected British Columbia bank, and that on the other hand, your government had loaned \$100 million to Quebec which, as I understand it is about \$20 for Comtois and \$20 for me!

That is not my question. I would like to address my first question to the Inspector General: You mentioned that the Toronto-Dominion bank has about 46 directors.

Mr. ELDERKIN: I think that is right.

Mr. CLERMONT: Would you have any idea how these directors are spread geographically?

Mr. ELDERKIN: I could not tell you, but there are directors from every province in Canada. I will qualify that. I am not sure that there is one from Prince Edward Island.

Mr. CLERMONT: We have more than five national banks, but I understand that we have only five which have branches throughout Canada. These five banks will have directors spread throughout Canada?

Mr. ELDERKIN: That is right.

Mr. COMTOIS: Is there a clause, in the case of the other banks, to the effect that the directors have to reside in one province?

Mr. BURKE-ROBERTSON: No.

Mr. COMTOIS: No bank at all; this will be the first one.

The ACTING CHAIRMAN: It is about two minutes to 10 now. Are there any other questions? Mr. Basford has another question, and Mr. Clermont.

Mr. CLERMONT: Perhaps the Inspector General will know how many bank branches there are in British Columbia?

Mr. ELDERKIN: At the end of August, 584.

Mr. CLERMONT: Five hundred and eighty four; and I think it was mentioned that they have a year—

Mr. ELDERKIN: In other words, after they are organized, and after they have received their initial subscriptions, after they have had a meeting of their subscribers—

Mr. CLERMONT: I am aware of this, because it was mentioned this afternoon. But here is my question. I know that they have a year to qualify, but if parliament does not approve a charter, can Treasury Board act?

Mr. ELDERKIN: If parliament does not approve a charter Treasury Board does not act.

Mr. CLERMONT: That is the reason that I—I cannot speak for this Committee—as one of the members of the Committee, would like to have as much information as possible. I agree that you will qualify with Treasury Board, but parliament will have to grant you a charter.

Mr. ELDERKIN: If parliament does not pass the bill, the charter is not granted.

Mr. CLERMONT: Another question—and this is the last one, Mr. Chairman—to Mr. Gunderson, on a point of clarification: In a few instances he used the expression “We will appoint a president”, or “We will appoint auditors”. Whom do you mean by “we”? Do you mean the provisional directors, or the permanent directors?

Mr. GUNDERSON: The permanent directors would have to do that.

Mr. CLERMONT: Thank you.

Mr. BASFORD: Very quickly, I have a question about the position of the Vancouver Board of Trade. Several years ago it supported the idea of a bank for British Columbia, opposed the application being made at that time, supported by the government, and, I believe, I am correct in saying, has not expressed a view since. Is that correct, or can someone contradict me?

I think that it is rather important that we have the view of the Vancouver Board of Trade, or some like body, which is concerned about the business development of Vancouver and British Columbia—

Mr. LAMBERT: Did you query the Edmonton Chamber of Commerce, the Winnipeg Board of Trade, the Calgary Board of Trade, the Regina Chamber of Commerce, and so on, as to the Bank of Western Canada?

Mr. BASFORD: No, I did not, Mr. Lambert, because they had raised \$13 million through the prairies and British Columbia in \$1,000 lots.

Mr. LEBOE: Prince George is just as important as Vancouver.

Mr. BASFORD: Am I correct in saying we do not have before us and you cannot give us the view of the Vancouver Board of Trade or the British Columbia Chamber of Commerce on this particular application?

Mr. DIETRICH: I think you are well aware in representing the province, Mr. Basford, of the tremendous support there is from the citizens in getting this bank off the ground. Are you opposed to the bank?

Mr. BASFORD: I am very aware of the very wide popular support that the concept of a bank oriented to British Columbia has. I am undecided as to the degree of support for this particular application. Therefore, I am going to move that this matter stand over to give the Chairman an opportunity to communi-

cate with the presidents of the Vancouver Board of Trade and the British Columbia Chamber of Commerce to get their views on this application.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I would like to move an amendment, Mr. Chairman.

The ACTING CHAIRMAN: Just a moment, please. Would you mind putting your motion in writing, please, Mr. Basford.

Mr. VALADE: Could I raise a point of order while he drafts his motion. To avoid discussion at the next meeting I would like to know if the Chair could secure information on clause 5 to find out whether this clause complies with the restrictive practices of this country. I think we should have this information for our next meeting because I think clause 5 is quite questionable in some respects and I want a legal opinion.

Mr. ELDERKIN: I think I can answer that. Restrictive practices do not apply to services and banking is a service.

Mr. VALADE: And this is not discriminatory?

Mr. MACALUSO: This is the only bank that asks for this kind of restriction.

Mr. ELDERKIN: That is right. Parliament can override it any time they wish.

Mr. GUNDERSON: The purpose of the restriction was to make sure that the head office—

The ACTING CHAIRMAN: Order, please.

Mr. VALADE: Could I ask a question along that line?

The ACTING CHAIRMAN: I would like Mr. Gunderson to finish his remarks.

Mr. GUNDERSON—of the bank would remain in British Columbia.

Mr. MACALUSO: It could be a condition written in the act in another way.

Mr. GUNDERSON: If it is written in another way, that is all right, but that is one way to make sure of it.

Mr. MACALUSO: As long as you are sure the head office stays in British Columbia, then you would not be opposed to—

Mr. GUNDERSON: And the majority of the executive officers, because in the case of the Bank of Nova Scotia the head office is in Halifax but the executive officers are in Toronto. We want this executive office to be in Vancouver.

The ACTING CHAIRMAN: I would like to read Mr. Basford's motion:

Moved that the Chairman communicate forthwith with the president of the Vancouver Board of Trade and the British Columbia Chamber of Commerce to determine their views on this application.

Is there a seconder for this motion?

Mr. McLEAN (*Charlotte*): I second the motion.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I have an amendment I would like to make to that; I would like to add, the B.C. Federation of Labour, the Chamber of Commerce of Victoria, and the Vancouver Labour Council.

The ACTING CHAIRMAN: Could we have that again a little slower, please?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes. The B.C. Federation of Labour, the Vancouver Labour Council and the Chamber of Commerce of the city of Victoria.

The ACTING CHAIRMAN: These organizations will then be included.

The CHAIRMAN: Does the mover and the seconder of the original motion accept this amendment?

Mr. BASFORD: I accept the amendment and I believe Dr. McLean does too.

Mr. VALADE: May I raise a point of order? This is a very serious business and this Committee has to show more seriousness in their approach to this problem. I believe most of the questions are directed towards public interest and public protection. I believe the member who wants to add a lot of other organizations to that list must justify, for the sake of the Committee, the reason behind calling such and such a group. These people must have at least an inside knowledge of banking systems or the advantages of banking. If they represent a group of people who show interest in the banking system, that is fine; otherwise I do not see why we should bring in an unlimited number of representations.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are you suggesting, Mr. Valade, that the very important B.C. Federation of Labour, which represents hundreds of thousands of workers in that province and handles vast sums of money, should not be able to express its valuable opinions?

Mr. VALADE: I am not saying that at all. Mr. Chairman, I take objection to the point raised. I am not being personal, I just want my colleague to specify the reasons.

The CHAIRMAN: Order, Mr. Valade, please. We do not have a seconder to the amendment, and until we do there is no amendment.

Mr. LEBOE: I will second the amendment if there is the addition of Prince George.

Mr. MACALUSO: If I ever had any doubt regarding who could hold it back, Mr. Cameron has cleared it away.

The CHAIRMAN: Mr. Valade had an objection.

Mr. VALADE: Mr. Chairman, I wanted some information from these people regarding their views on clause 5. If the Committee does recognize that this clause—

The ACTING CHAIRMAN: In case there is a vote, we would like the quorum to stay.

Mr. LAMBERT: I would like to raise a query on this motion, too. There is no time limit on it. The people in question might wait an eternity to make a reply.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is the purpose of "forthwith" in the amendment.

Mr. LAMBERT: That is an instruction to the Chairman, not to the people who are going to reply.

The ACTING CHAIRMAN: I make the suggestion from the Chair that this motion be considered tomorrow. There seems to be quite a bit of discussion in this regard. It is now 10 o'clock.

Mr. LEBOE: I would like to make one short statement in connection with the seconding of the motion. Only when it is seconded can it be discussed. In all probability I would not have voted "yes" to the motion and the amendment, but I wanted it seconded so it could be discussed.

The CHAIRMAN: The Chair suggests that the meeting reconvene tomorrow at 3.30 or after Orders of the Day. At that time this motion could be discussed and entertained.

Mr. BASFORD: I am happy to accept your suggestion.

WEDNESDAY, October 19, 1966.

(Recorded by Electronic Apparatus)

The CLERK OF THE COMMITTEE: Gentlemen, as you know, the Chairman and the Vice Chairman are both unavoidably absent today and I would, therefore, ask for nominations for an Acting Chairman for today's session.

Mr. BASFORD: The clerk is in a rather embarrassing situation and one which we all understand, I am sure. In order not to delay the proceedings any further I would nominate Mr. Chrétien.

Mr. LEBOE: I second the nomination.

Motion agreed to.

The ACTING CHAIRMAN (*Mr. Chrétien*): Thank you gentlemen. I will try to be a good replacement for the chairman.

The first item we have on the agenda is to discuss the motion proposed by Mr. Basford and Mr. Cameron's amendment. Are there any comments on the motion and the amendment? After I have heard the comments I will put the motion. I will read both the motion and the amendment.

The motion is as follows: "That the Chairman communicate forthwith with the President of the Vancouver Board of Trade and the British Columbia Chamber of Commerce to determine their view on this application".

I will now read the amendment: "That the British Columbia Federation of Labour, the Vancouver Labour Congress and the Chamber of Commerce of the city of Victoria be added to the organizations named in the main motion."

Mr. BASFORD: On a point of order. The amendment was accepted by the mover and seconder so it is all one motion.

The ACTING CHAIRMAN: It is all one motion now?

Mr. BASFORD: There is no motion and an amendment.

The ACTING CHAIRMAN: All right. I will take it as a motion.

Mr. LAMBERT: Mr. Chairman, my comment on that is that notwithstanding the instructions to the Chair with regard to the communication there is absolutely no guarantee of any reply. I think such a move is quite improper under the circumstances. I do not have any particular brief with regard to this particular application except that I want to see us proceed with it in a business like way.

We have a very heavy agenda before this Committee. We have the Bank Act and half a dozen insurance companies waiting for us. If we are going to do this same sort of thing all the way down the line, then we are going to have to ask the good Lord to change the calendar to 14 day weeks and we are going to have to have 18 month years. I think it would be quite superfluous to have this type of information.

The ACTING CHAIRMAN: Excuse me, Mr. Lambert, but this is not on a point of order, we are discussing the merits of the motion.

Mr. LAMBERT: I am talking on the merits of the motion.

The ACTING CHAIRMAN: I have an order of priority, so if you will excuse me, I will add your name to the list.

Mr. LAMBERT: All right. I have made my point.

The ACTING CHAIRMAN: We will first hear from Mr. Leboe, followed by Mr. Cameron and Mr. Lambert.

Mr. LEBOE: My remarks will be very short, Mr. Chairman. I want to congratulate you on your taking over the Chairmanship of this Committee.

First of all, I would just like to state that people generally in the province of British Columbia, and I know I am speaking with some authority, are very, very anxious that this application for a charter be approved. I am speaking of the people of British Columbia generally; I think this is true of most people in western Canada.

Secondly, I think that if the motion is carried, and I am sincere in this, the only effect would be to effectively kill the bill. I say that for several reasons. First of all, we are loaded, as has already been stated, with a tremendous agenda; secondly, there are only two private members' hours a week now in the House of Commons in which to deal with this bill after it leaves here. As you know, there are four items on the order paper, one of which will take priority in the order.

As Mr. Lambert has already pointed out we do not know when we would get this information; we do not know what "forthwith" means. It is an abstract term; we do not know what it means. The sum total effect of the motion would be to kill the bill.

I happen to know that the members of this committee—all the members of this committee—are not in favour of killing the bill, but this would be the effect if the motion is carried.

The ACTING CHAIRMAN: Thank you, Mr. Leboe.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, the only reason that I proposed an amendment to Mr. Basford's motion was that I felt if we were going to ask for advice from various organizations, it should be balanced advice that we ask for and, therefore, I proposed the B.C. Federation of Labour and also proposed the Chamber of Commerce in the city of Victoria because, after all, Vancouver is not the only place in British Columbia.

I never had any doubts whatever that it would be extremely unlikely that we would get a reply within any reasonable time. I cannot, for instance, see the officers of any of these organizations taking it on themselves to send us the views of their organization until they had called a meeting.

If Mr. Basford would reconsider his position on this, and withdraw the motion, I think it would expedite the matter with this committee. I again would stress this. We have a very serious agenda I think I am the only member of this Committee who has had experience with the revision of the Bank Act—which I had some 12 or 13 years ago now—and I know it is a very lengthy process and one which this Committee should be getting at as quickly as possible.

I would, therefore, make a plea to Mr. Basford to withdraw his motion; as my amendment is now incorporated in it I suppose I cannot withdraw that part of it myself even with my seconder's consent, but I would ask him to consider his position in this regard.

Mr. LAMBERT: I said what I indicated before. I think if we wanted to add to the bodies we could ask the ladies aid from Ladysmith and a few other bodies whose views might be pertinent in this regard and each would have as much pertinence as the other.

I make a similar plea that the business of this Committee must be conducted in a business-like way. There is a responsibility on these gentlemen; they have, for one reason or the other, been before parliament for two years; they have money tied up in this; they have gone to a lot of expense. Therefore, let us deal with this bill in a responsible way. I would like to ask Mr. Basford to withdraw his motion.

Mr. MORE (*Regina City*): Mr. Chairman, I just want some clarification. Has there been any representation received by the Committee from any of these bodies asking to appear?

The ACTING CHAIRMAN: No.

Mr. MORE (*Regina City*): We have had no representation?

The ACTING CHAIRMAN: We received a telegram just a few moments ago and it is very confusing because it is directed to the minister as chairman of the committee of the House of Commons. It is not properly addressed. This is the only communication we have received from any organization.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Was the organization asking to appear before us?

The ACTING CHAIRMAN: No, it was just making some comment about the procedure of the Committee.

Mr. MORE (*Regina City*): Mr. Chairman, I wanted to ask for clarification on a point. I think it has been well known for some time that this group of gentlemen are promoting this bank and they would be appearing before this committee to seek a charter. I think the fact that we have had no representation indicates that most of the people and these organizations in British Columbia wish them good luck. It seems to me that if it were known otherwise, if any member of the Committee knew of any objections he should, perhaps, have brought evidence to the Committee to indicate it. Since this has not been done, I feel, too, that this motion is going to delay our work unduly. We probably will not get any information that is relevant or helpful in time to proceed with the bill.

So, in spite of our differences, I would ask Mr. Basford to consider the proposition made to him in this regard.

The ACTING CHAIRMAN: The next name on my list is Mr. McLean.

Mr. McLEAN (*Charlotte*): Mr. Chairman, I seconded the motion because of the way the bill was presented. There were five people who came up with \$9,000; I might be able to go around and get five people with \$9,000 to present a bill. I felt that we should know more about the background and the financial responsibility of the people asking for this charter, and I thought the members from British Columbia should know something about that. If they feel that these people are responsible then I see no reason why they should not get the charter. But I know nothing about them except that they put up \$9,000, apiece.

The ACTING CHAIRMAN: Does any one else wish to comment?

Mr. BASFORD: I would like to say that Mr. Leboe is quite wrong when he says the effect of this motion is to kill the bill. One knows that under the rules if one wants to kill a bill, one moves a six months' hoist which, of course, is not done here and which is not the intention of my motion. I am not anxious to see this bill killed; I am not anxious to see the concept of the bank for British Columbia killed; I am concerned and anxious to see that the present proposal is

improved so that it can more adequately and properly serve the interests of British Columbia. That is my sole aim and my sole mission, to see that this organization is the best that we can possibly have for British Columbia.

I think that to communicate with the organizations mentioned in the motion would be helpful to the committee, particularly those members of the committee not from British Columbia. It has been alleged that this concept has very wide support. That certainly is my analysis of public opinion in British Columbia and that the idea of a bank for British Columbia has very wide public support. It certainly has mine and it certainly has the support of most of the people to whom I have ever talked. But I think we should have the views of these important elements in British Columbia as to what they feel about this particular application and of the application of these five gentlemen applying as provisional directors for this bank. I do not think it would unduly delay the hearing of this bill.

The ACTING CHAIRMAN: Are there any other comments?

Mr. FLEMMING: Mr. Chairman, I apologize for not being at the previous sittings and for my lack of knowledge, but I do feel fairly strongly about the public in general coming before committees, provided there is something going on to which they take objection. It would seem to me that since this bill has been before the committee for some time, for a couple of years, has it not?

The ACTING CHAIRMAN: No, not this application.

Mr. FLEMMING: Well, it has been before the Committee for a considerable length of time. Certainly the Vancouver Board of Trade and its members must know something about what is going on and is contemplated here. They have not indicated that they have any objection to it. I am sure it has been publicized in British Columbia from one end of the province to the other. I would think, with all due respect to my friend, Mr. Basford, that it would have the effect of killing the bill, because you cannot ask organizations of this type to make representations and get it done within several months. I think these people have waited a long time and we should give the charter to them. This Committee and the house have already passed the setting up of one bank in western Canada and I can see no reason why British Columbia should not have their bank if they want it.

The ACTING CHAIRMAN: Mr. Dietrich would like to make some comments at this time.

Mr. F. H. DIETRICH (*Provisional Director, Bank of British Columbia*): I would like to address, through you, Mr. Chairman, my remarks to Mr. Basford. Last evening following our meeting here I phoned Sid Welsh in Vancouver who, as you know, is the president of the Vancouver Board of Trade, and he reiterated to me over the telephone that the Vancouver Board of Trade are very much in favour of the Bank of British Columbia providing there was no government participation. But if he had to clarify and advise the Committee of this it would take considerable time as he would have to go before council, as you know. I would like to inform you, Mr. Basford, that the Board of Trade, of which I am a member, is generally supporting this bill, but I do not have anything in writing to show you that support.

The ACTING CHAIRMAN: Are there any others who wish to make comments on the motion?

Mr. BASFORD: Mr. Chairman, in view of the request that has been made of me and in view of what Mr. Dietrich has just said, I will, for the moment, withdraw the motion, if I have leave of my seconder to do so.

The ACTING CHAIRMAN: Do we have the consent of the seconder of this motion to withdraw it?

Mr. McLEAN (*Charlotte*): Yes.

The ACTING CHAIRMAN: As we have now dealt with this item we will go ahead with the study of the bill itself. Usually we start with the preamble but if the committee agrees, we will pass over the preamble for the moment and proceed to clause 1. We will come back to the preamble after that discussion.

Agreed.

The ACTING CHAIRMAN: Shall clause 1 carry?

On clause 1—*Incorporation*.

Some hon. MEMBERS: Carried.

Mr. BASFORD: Well, if the clause has carried I will not vote against it, but I do want to make this observation on clause 1. I think that it includes within the provisional directors, two people who are senior civil servants for the province of British Columbia. It, therefore, colours the application and I suggest that the provincial government is involved in this and in passing this clause I would make a plea to those two gentlemen, in the formation of the bank, to withdraw from the operation of the bank so that the bank could come into business and into operation with the full and unqualified support of the people of British Columbia. I suggest that as long as the bank has connected with it two senior civil servants there will, in the minds of a good number of people, rest and lie a suspicion that it is an arm of the provincial government. This would be bad for the bank. I make the plea to them that if this bill passes parliament, that in the creation of the bank and bringing the bank into business they withdraw from it.

The ACTING CHAIRMAN: It is up to them; there is no amendment to that effect.

Are there any further comments on clause 1?

Clause agreed to.

The CHAIRMAN: Shall clause 2 carry?

Clause 2 agreed to.

The ACTING CHAIRMAN: Shall clause 3 carry?

Clause 3 agreed to.

The ACTING CHAIRMAN: Shall clause 4 carry?

On clause 4 — *Chief Office*.

Mr. CLERMONT: No, on division. I have some objection that its says always in Vancouver.

Mr. BURKE-ROBERTSON: May I speak to that? The Bank Act will override this clause as soon as it comes into effect.

Mr. CLERMONT: I am against the clause as it is now written.

Clause 4 agreed to, on division.

Mr. DAVIS: I have a question, Mr. Chairman. How will the Bank Act override this clause?

Mr. ELDERKIN: Because the Bank Act states that all sections of a bill applying to the Bank Act are overridden by the Bank Act once it comes into effect, unless specifically stated otherwise in the bill. In clause 4 it does not specifically state that this overrides the Bank Act, therefore, the provision of the Bank Act says that the shareholders may change the head office of the bank, so it overrides it.

Mr. DAVIS: So clause 4 does not have much effect?

Mr. ELDERKIN: The final part of the sentence has no effect.

Mr. DAVIS: Initially, will it be in Vancouver?

Mr. ELDERKIN: Yes; initially it will be in Vancouver.

Mr. DAVIS: But there is no guarantee that it will remain in Vancouver?

Mr. ELDERKIN: No, it is up to the shareholders thereafter.

The ACTING CHAIRMAN: Because it is going to be a national bank and if the shareholders want to do something else, that is up to them.

Mr. ELDERKIN: I should have said not the present Bank Act but the bill provides for this.

The ACTING CHAIRMAN: Are you satisfied, Mr. Davis?

Mr. DAVIS: Yes.

The ACTING CHAIRMAN: Shall clause 5 carry?

On clause 5—*Directors and executive officers.*

Mr. BASFORD: I would like to move an amendment to clause 5 which reads as follows: "That section 5 be amended by inserting a new subsection 3 and renumbering the present subsection 3 as subsection 4 with the new subsection 3 to read as follows: 'No director of the bank shall be a director, employee or officer of any government or agency thereof'."

I would like to speak to the motion.

The ACTING CHAIRMAN: Do you have a seconder for your motion?

Mr. LAMONTAGNE: I second the motion.

Mr. BURKE-ROBERTSON: Would you mind reading the motion?

The ACTING CHAIRMAN: I will read the motion after which I will permit members to speak on the motion. "That section 5 be amended by inserting a new subsection 3 and renumbering the present subsection 3 as subsection 4 with the new subsection to read as follows: 'No director of the bank shall be a director, employee or officer of any government or agency thereof'."

I would like to speak to the motion.

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Mr. Basford, do you wish to speak on the motion?

Mr. BASFORD: Did you get that Mr. Burke-Robertson or shall I give you a copy?

Mr. BURKE-ROBERTSON: Thank you, Mr. Chairman, I have it.

The ACTING CHAIRMAN: Mr. Basford and then Mr. Lambert.

Mr. BASFORD: In moving this amendment I want to make clear that when the Bank Act is before us I want to make a similar amendment to the Bank Act of Canada so that the same provision would apply to all banks. I am not singling this one out particularly but it just happens to be the one in front of us. I do want to give notice of my intention that I would want to move a similar provision to the Bank Act so that it applies to all banks.

Mr. LEBOE: If what Mr. Basford has just told us is true, then it seem to me that it is redundant to make any motion here, because the Bank Act will override this act in any case.

The ACTING CHAIRMAN: Yes, but this is different. Unless he has that included in the Bank Act, but it is not in the Bank Act right now, so I think he is in order to put this motion now. Mr. Basford has the floor right now, so those who wish to speak have only to give me their names.

Mr. BASFORD: I wanted to say what I did in order to just point out that this was not an attempt to single out this one operation for this type of amendment. I think it is a situation which should apply to all banks, namely, that civil servants should not be on their boards. With regard to this particular bill which is before us—and that is all that is before us—I go back to what I said earlier, namely, that two of the provisional directors are, for all practical purposes, senior civil servants of the provincial government. They should not be directors. Mr. Gunderson has given parliament an undertaking that he will not be an executive officer of the bank, but he has not given the undertaking he will not be a director, and I suspect he will be a director. I think that this would colour the whole bank's operation as having a link with the provincial government. What we are interested in is seeing a sound, corporate commercial enterprise in the province of British Columbia, one which is neither connected with the present government nor will be with any subsequent government, and I think this is the way to guarantee that.

Mr. LAMBERT: Well, Mr. Chairman, I think that notwithstanding Mr. Basford's protestations of innocence and objectivity, it is first of all very singular that it should come at the time of this bill, and secondly that it is discrimination against this particular bank. He may have his reasons for doing it generally, and I differ from him there. But there are other chartered banks where highly placed public officials, because of their ability and their business knowledge, have been eagerly sought to be placed on the board, and if Mr. Basford will tell me that people like Dr. Solandt of the C.N.R., the president of Polymer Corporation, or any number of these people of similar calibre, are to be disqualified from being on the board of chartered banks in this country, then Mr. Basford had better reassess his evaluation of abilities of people. It has never been charged that anybody of that category should be prohibited from being a member of a chartered bank. As a matter of fact, men of that calibre we can certainly welcome to the boards of any of our banks in this country. I find that, as a general prohibition with regard to this bank, it may inherently weaken it.

I know it is aimed at two men today. But what of the people in the future whose political affiliations might be different? Therefore, I thoroughly oppose this particular motion and I have no particular brief for any of these gentlemen

who I met for the first time the other day. But I think that it is outright discrimination.

The ACTING CHAIRMAN: Thank you, Mr. Lambert.

Mr. LAMONTAGNE: I certainly do not want to discriminate against the two individuals before the Committee at the present time, but I think that if this bill were to carry as it is now we are, in my view, establishing a very bad precedent. It is, perhaps, too bad that it happened with the people of British Columbia being immediately concerned, but I can visualize some similar situation developing in the province of Quebec, and I certainly do not want, as a federal member, to see the provincial government, either directly or indirectly, in the field of monetary policy, in the field of banking. I think this is a field which has been definitely assigned to the federal government. I do not think the provincial government should be allowed in this field through the back door directly or indirectly, and I am quite sure that if we were facing the same situation today, with a similar proposition coming from Quebec, the reaction of those who might want to support this bill now would be quite different. But so far as I am concerned I want to be quite consistent, and I propose, as seconder of this amendment, to certainly support it on both counts.

Mr. LAMBERT: Mr. Chairman, may I ask Mr. Lamontagne a question. In the event that a highly placed and highly qualified public servant of the province of Quebec were asked to serve on the board of the Canadian National Railway, and at the same time was asked to join the board of a chartered bank would you have objection?

Mr. LAMONTAGNE: Well, I do not think that provincial civil servants should be asked to serve the federal government, or serve in any direct capacity in a field which has been assigned to the federal government.

Mr. MORE (*Regina City*): Mr. Chairman, just for clarification because of the argument I might make, I want to ask Mr. Basford was he a member of the Committee when we incorporated the Western Canada Bank?

Mr. BASFORD: Yes, I was.

Mr. MORE (*Regina City*): You were in parliament when it was passed?

Mr. BASFORD: Yes.

Mr. MORE (*Regina City*): I think you can accept a principle in this regard, but my position simply is that the present act does not include this principle, and if the principle is of such importance, then it seems to me that those who feel that way about it, when they had the opportunity at an earlier time, should have made sure that bank would not be able to do what they are insisting on being done now.

The ACTING CHAIRMAN: Excuse me, Mr. More, but I think that...

Mr. MORE (*Regina City*): I am not out of order. I am talking to the principle, and I am making my position clear. I am relating that I say that bringing it here is discrimination, and I am against that sort of thing. The Bank Act does not have this prohibition at the present time. We do have highly placed provincial public servants on the board of at least one other bank, and it is the first time that I have heard the objection. So I must say that I feel it is discriminatory. Relating it to this clause which would not be overridden by the Bank Act, I see nothing here as the clause presently stands that would make it possible, if the Bank Act does endorse this prohibition, for these gentlemen to

serve. All this clause asks is that the majority be resident in British Columbia and the majority of executive officers be so resident. So that if the Bank Act when it is revised does contain the prohibition, then this clause does not override the Bank Act; it would be enforceable by the Bank Act, and I would ask Mr. Elderkin if he does not view this the same as I do.

Mr. ELDERKIN: If I understand you correctly, if Mr. Basford's amendment were placed in the Bank Act instead of here it would apply to this bank as well.

Mr. LEBOE: That is what I was trying to get at before.

Mr. MORE (*Regina City*): If it is placed in here, and clause 3 is renumbered clause 4 and we accept it then the Bank Act prohibition could not apply.

Mr. ELDERKIN: If it is placed in here and no mention was made of it in the Bank Act, it would apply here but in no other bank.

Mr. MORE (*Regina City*): That is right, and that would be discrimination. Can we not wait and see whether parliament will accept this prohibition, which would override this bill. There is nothing in this bill which says two of the directors shall be high-placed public servants. It says they shall be resident of the province of British Columbia, and a majority of the executive officers shall be resident and have their ordinary residence in the province of British Columbia. That is the only qualification. So that when we revise the Bank Act, if parliament accepts this prohibition, then these gentlemen if they are still on the board of directors at the time, would not be eligible for the election. If that is the principle—I do not think I am called upon to say whether I endorse it or not at the moment, I shall have to decide that when it comes before parliament—and if it is put in this bill for this bank and no other it is discrimination to me and I have no hesitation in saying I will not support it.

Mr. CLERMONT: Mr. Chairman, does the charter of any other contain such a clause as of this bill which says that a majority of the directors shall be from one province or one region.

Mr. ELDERKIN: No, Mr. Chairman.

Mr. CLERMONT: This bill will be a special case.

Mr. ELDERKIN: Unless the Bank Act overrides it.

Mr. CLERMONT: I mean as it is now.

Mr. ELDERKIN: That is right.

Mr. CLERMONT: So, if this amendment is adopted it will not be worse from the requirement, that fifty per cent of the directors of a bank should come from a province. There is no such regulation now?

Mr. ELDERKIN: No.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I am inclined to support Mr. More's attitude toward this, that if we are going to deal with this principle, which is a new principle, it should be done in the overriding legislation which is to appear before this Committee immediately after these hearings are over. But I am also interested in the principle itself. I was a little puzzled by Mr. Lamontagne's statement. He appears to be afraid of provincial government officials being allowed to interfere in a field which is the province of the federal government. But, if he will look at the amendment that his colleague has produced he will see it is any government agency. It will apply equally to federal civil servants or federal officers of government agencies. I

presume that the intent of this is to prevent a provincial government using its influence on an employee to influence the policy of the bank. Presumably that is it. Well, now, it seems to me that if we are going to do this we should go back a little step further perhaps. I have in mind, for instance, a number of very eminent gentlemen in the other place who are members of Mr. Basford's party and who are directors of chartered banks. They have, I imagine, considerable influence on them. So if we are going to prohibit officials and employees then perhaps we should also include all elected members of either provincial or federal bodies.

Mr. BASFORD: I could not agree more, Mr. Chairman.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Right you are. Then why did you not include this in your amendment, because obviously that was not your intention or you would have included it. You are smart enough to have thought of that yourself.

Mr. LAMONTAGNE: This, of course, is much broader and I think probably I would certainly support you. But this is a matter for the Bank Act, to cover. But here we are dealing with a specific case—

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): If this is a matter for the Bank Act, then why is this more narrow approach not also appropriate to the Bank Act and also the even narrower interpretation you placed on it, Mr. Lamontagne. You narrowed it from Mr. Basford's amendment which you evidently had not read very carefully. You were trying to narrow it down still further but they are all, it seems to me, more relevant to the Bank Act than to this specific piece of legislation. I think it is probably a very good thing. As Mr. Basford suggests, he agrees with me that we should exclude such influential people from taking a place on the board of directors. But, I do not see why we should confine ourselves, as Mr. Basford seems to want to do, to the specific bill before us and its specific category of public servants. I would oppose the amendment as it now stands. I will reserve my right to decide when or if Mr. Basford brings forward his amendment, which he has promised, to the Bank Act, whether I will support that or insist that it be written in broader terms at that time.

The ACTING CHAIRMAN: Mr. Leboe?

Mr. LEBOE: I will stand corrected if I misunderstood the Inspector-General of Banks but I understood him to say yesterday that he thought it was really the prerogative of provincial governments to make any moves in this regard if they wished to expressly state that they did not want any of their civil servants on banks.

Mr. ELDERKIN: Well, it always would be a prerogative of a provincial government if they wanted to do it. I would be a prerogative of the federal government to prohibit it.

Mr. LEBOE: Yes.

The ACTING CHAIRMAN: Any other comments on that?

Mr. DAVIS: Yes, I have one comment. Personally I am not unduly disturbed about a senior civil servant being a director among numerous directors of a corporation. I am concerned, however, if an employee in this case of a provincial government were to occupy the position of chairman of the board

and possibly also general manager of a federally chartered bank. I think that once an individual gets into that position there would certainly be an expectation on the part of the general public and the financial community that there was a relationship with the provincial government. And, indeed, there might well be. It would be in a key position like that, as a chairman of the board, or general manager of the bank, that I would concern myself and not purely the matter of one director of a dozen or even two.

Mr. MORE (*Regina City*): Mr. Chairman, I wonder if you would read the amendment again. If I interpret it correctly, on the hearing I had of it, it would bar an alderman from being a director of the bank.

The ACTING CHAIRMAN: The main aspect of the amendment is that no director of the bank shall be a director, employee or officer of any government or agency thereof.

Mr. MORE (*Regina City*): Is not a municipal body a government? Is that Mr. Basford's intention?

Mr. LAMBERT: Well, then, am I right that the Mayor of Vancouver is a director of the board of a bank? I believe he is but I am subject to correction. I know that one of the present aldermen of the City of Edmonton is a director of the Bank of Western Canada.

Mr. MORE (*Regina City*): That is right and there was no objection raised when we passed that bill.

Mr. LAMBERT: He was one of the incorporating directors.

Mr. MORE (*Regina City*): He was an incorporating director.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Another official is the joint chairman of the authority of which Mr. Gunderson is a member of the board of directors and he has been for a number of years a director, I think, of the Toronto-Dominion Bank.

The ACTING CHAIRMAN (Mr. Chrétien): Mr. McLean?

Mr. McLEAN (*Charlotte*): Mr. Chairman, I think the amendment is too broad and it covers too much ground.

The CHAIRMAN: Shall I put the question? Those in favour of the amendment please raise their hand.

I declare the amendment negatived.

Shall subclause 1 of clause 5 carry?

Mr. DAVIS: Mr. Chairman, we have been very pure here; we have not discriminated. My impression of the entire meaning of clause 5 is that it is discriminatory, at least within Canada. It is discriminatory to the extent of preferring that the majority of the directors of the Bank of British Columbia shall be resident in the province of British Columbia and it goes on, "ordinarily resident" and so on. This will be the first time that a chartered bank in Canada receives a charter with this provision in it. Is that correct?

Mr. ELDERKIN: Yes.

Mr. DAVIS: I personally find it difficult to accept clause 5. I am glad to see that the head office will be in British Columbia. I am convinced by what I have seen and the submissions presented here that British Columbia merits a bank. I believe there is a base for a bank headquartered on the west coast so that the economics of the situation will determine that the headquarters remain in

British Columbia. I am quite sure that the general manager and the senior staff will have to live there in close proximity to the headquarters of the bank. But I personally do not want to see a clause like clause 5 anywhere in a bill like this. As the Inspector-general has said, there is a probability that if the Bank Act is passed this clause will be overridden in any case.

Mr. ELDERKIN: Not this clause, not this specific clause.

Mr. DAVIS: Well, that is an additional reason for my questioning and concern. I do not want to see regional banks in the narrow sense. I want to see a bank headquartered in British Columbia that prospers and is effective in British Columbia but that is national in its general operations. I do not want to see built-in safeguards of this type when personally I am not convinced they are necessary in any case.

The ACTING CHAIRMAN: I think we should proceed and perhaps we could come back to this when the Bank Act is under discussion.

Mr. DAVIS: I am against the whole clause. I would rather not see clause 5 in at all.

The ACTING CHAIRMAN: Well, I will put the question. Those in favour of clause 5(1)? No one is opposed to that?

Mr. DAVIS: You said those in favour?

The ACTING CHAIRMAN: Those in favour? If you wish I can put the question. Is it carried or not carried?

Some hon. MEMBERS: Carried.

The ACTING CHAIRMAN: On division.

Mr. DAVIS: I am opposed certainly. Are there no more than one opposed? I heard several voices.

The ACTING CHAIRMAN: I will call for a vote. Those in favour of clause 5(1) please raise their hand. Those opposed?

Mr. MORE (*Regina City*): Mr. Chairman, before we proceed, I wonder if I could put a question, through you, to the gentlemen. Having heard the conversation and discussion on this and owing to the fact this is a clause that was in the original presentation but which then had to do with participation of the provincial government, and since in answer to a question yesterday, you assured me that the stock was going to be sold at large, do you still feel that you want to maintain this clause in the bill? Is it helpful to you? Is it necessary?

Mr. BURKE-ROBERTSON: When you say the original bill, Mr. More, do you mean the original bill S-16?

Mr. MORE (*Regina City*): The original presentation that was made when the—

Mr. BURKE-ROBERTSON: It actually was not in that bill.

Mr. MORE (*Regina City*): Yes, but it monded that it was going to be set up so that the control would always remain there and there would be no possibility of it being otherwise, if I remember correctly.

Mr. BURKE-ROBERTSON: That was what was desired.

Mr. MORE (*Regina City*): This is what I mean.

Mr. BURKE-ROBERTSON: It was not expressed in the bill.

Mr. MORE (*Regina City*): This is what I mean. Now, I put it to you in view of the discussion. I would like to know your opinion before I cast a vote. I would like to have some solid reasons. If you are going to seek capital at large and if the bank is welcome, as I believe it must be, certainly you will have overwhelming subscription from British Columbia. But you are going to be a national bank and you are seeking funds from shareholders nationally. Do you feel that this restriction—I am putting it to you—is necessary? It is the only one in any of our national banks and you claim you want a national bank.

The ACTING CHAIRMAN: I think that at this point, not as Chairman but as a member of the committee, and trying to agree with Mr. More, that it is a nationally incorporated bank and we should not adopt a provision applying only to this bank, I think the law should be applicable to all the banks across the country. I think it is a kind of discrimination. Certainly, I feel that there is nothing in the argument to keep this provision in the bill. I speak only as a member of the Committee, not as the Chairman.

Mr. MORE (*Regina City*): I asked to hear the opinion of the gentlemen.

The ACTING CHAIRMAN: Yes, Mr. Cameron.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I want to ask Mr. Elderkin a question. Can you tell us, Mr. Elderkin, if—

The ACTING CHAIRMAN: I am speaking of the entire clause 5. I think, personally it is of no value to have it in the bill.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Could you tell us, Mr. Elderkin, if there are any head offices of chartered banks, or any case in which the board of directors is resident except in the cities of Montreal and Toronto?

Mr. ELDERKIN: Well the head office of the Bank of Nova Scotia is in Halifax. The management office or the general office as it is called is in Toronto. The executive staff operate from the general office, not from the head office.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is the only one; all the others are located in one or other of the two cities I mentioned?

Mr. ELDERKIN: All of the others are located either in Toronto or Montreal.

Mr. CLERMONT: I understand there are only six directors from the Maritime region in the Bank of Nova Scotia. I have the information here, from their 1965 report. According to their 1965 report there are only six directors, not including the chairman, the vice president and a few others, but as directors, there are only six from the Maritimes.

Mr. McLEAN (*Charlotte*): Mr. Chairman, if it is true that the shareholders are going to say who will be directors, well then what are we talking about?

Mr. BURKE-ROBERTSON: Well I may say that is true, Mr. Chairman.

Mr. McLEAN (*Charlotte*): The Bank Act says the shareholders will elect the directors.

Mr. BURKE-ROBERTSON: They would elect them but—

Mr. MORE (*Regina City*): Clause 5 and Clause 3 will override the Bank Act.

Mr. McLEAN (*Charlotte*): I thought the Bank Act overrode this.

Mr. MORE (*Regina City*): Not the way this clause is in.

The ACTING CHAIRMAN: I think that with subclause 3, this article will apply, then the Bank Act will not change it. Even if we pass the law we—

Mr. McLEAN (*Charlotte*): Then I am going to vote against it.

Mr. BURKE-ROBERTSON: Subclause 3, Mr. McLean, makes it clear, just over the page. I think—

The ACTING CHAIRMAN: We will hear the comments of Mr. Robertson or Mr. Gunderson.

Mr. GUNDERSON: I would explain the reason why this was put in, in the first place. The provisional directors were watching very closely the incorporation of another bank where all the capital, or the majority of the capital, as you know, was held by shareholders in the east. We felt that at any time it was a great probability that the head office and executive offices of that other western bank would be moved from Winnipeg to Toronto or Montreal. That is the reason. Being a regional bank we want it to remain in British Columbia. That is the reason we put this in. If there is any difficulty why we are quite willing to eliminate it.

Mr. MORE (*Regina City*): Well, I suggest to you, Mr. Gunderson, if I may, Mr. Chairman, that you are going to start as a regional bank and you have expressed the firm intention to develop to a national level. I suggest on that basis there is an argument that this should not be in. I think it will be raised in parliament if it is left in. I wanted your opinion.

Mr. GUNDERSON: Well, Mr. Chairman, we will withdraw that section.

The ACTING CHAIRMAN: You are ready to withdraw that section?

Mr. DAVIS: I think one other reason which I just touched on was your own optimism with regard to the success of the bank.

The ACTING CHAIRMAN: As Mr. Gunderson has agreed to withdraw the clause and as we have had a vote on the first clause as a matter of procedure perhaps we should move a motion to withdraw the clause 5.

Mr. MORE (*Regina City*): I so move.

Mr. CLERMONT: We should have a mention that the directors shall be citizens of Her Majesty or something like that.

Mr. MORE (*Regina City*): That is covered by the Bank Act.

Mr. CLERMONT: Yes, but like we had in the case of the Western Bank. Look in the Western Bank bill.

Mr. ELDERKIN: Well, because there is a change in the terminology there, but it is a very small change. The present Bank Act reads "citizens of Her Majesty, ordinarily resident in Canada". The new bill refers to them as Canadian citizens.

Mr. LAMBERT: This is a point which I have been advocating for quite some time, Mr. Clermont. It is a point which I raised at the time of the Bank of Western Canada application, that the requirements should be that they shall be Canadian citizens and none of this mealy-mouthed business, but simply residents of Canada, which have been in too many of the Finance Department bills in the past two or three years.

(Translation)

Mr. CLERMONT: Here is Section 5, of Bill C-111, "All directors of the Bank, it was said formerly, should be subject of Her Majesty and be habitually

resident in Canada". The Inspector General of Banks has told us that this is at present in the Bank Act. Why then have it in that bill?

The ACTING CHAIRMAN: There are sometimes some pieces of legislation which are redundant, Mr. Clermont.

Mr. CLERMONT: I would like some information from the Inspector General of Banks, if you do not mind, Mr. Chairman.

The ACTING CHAIRMAN: Very well.

(English)

Do you want to comment on that, Mr. Elderkin?

Mr. ELDERKIN: My point here, I think, is that it is not necessary to put it in here because the minute the Bank Act comes into effect all directors will have to be Canadian citizens ordinarily resident in Canada—I beg your pardon—three quarters of the directors will have to be Canadian citizens ordinarily resident in Canada. It would make no difference what was in here. This would take effect as soon as the new Bank Act comes into effect.

The ACTING CHAIRMAN: So I will put the question. We need that for a good record. We need a motion first to rescind the previous vote.

Mr. DAVIS: I so move.

Mr. LEBOE: I second the motion.

Motion agreed to.

The ACTING CHAIRMAN: Then there is a motion that clause 5 be deleted and the subsequent clauses be renumbered.

Mr. DAVIS: I so move.

Mr. CLERMONT: I second the motion.

Mr. MORE (*Regina City*): Do you need to say clause 5, subclauses 1, 2 and 3 to make it complete.

The ACTING CHAIRMAN: No.

Motion agreed to.

The ACTING CHAIRMAN: We will move on to clause 6, the new clause 5. It is quite a long clause.

Mr. ELDERKIN: Well, may I point out Mr. Chairman, that these are identical with the clauses of the Bank of Western Canada bill which formerly received the approval of this Committee.

Mr. MORE (*Regina City*): Mr. Chairman, just one clarification, not all the remaining clauses are in that category.

Mr. LAMBERT: No, 12 is not.

Mr. MORE (*Regina City*): Down to and including number 10, the present 11.

Mr. ELDERKIN: Those are all identical with the Bank of Western Canada.

Mr. LEBOE: We want to accept down to and including clause 10.

Mr. MORE (*Regina City*): That would be clauses 5 to 9 inclusive.

Mr. ELDERKIN: Clauses 5 to 10.

Mr. MORE (*Regina City*): The new clauses 5 to 9. Presently they are 6 to 10.

The ACTING CHAIRMAN: The new clause I will put them every one by number.

Mr. ELDERKIN: I think you will have to, as there are some references that will have to be changed.

The ACTING CHAIRMAN: Shall clause 5 carry?

Clause agreed to.

Mr. MORE (*Regina City*): Mr. Chairman, there are some references in here. I do not know whether we have to mention every one in the motion or whether it would be enough to mention that the appropriate cross-references should be made.

The ACTING CHAIRMAN: We can add as the motion is called and passed to.

Mr. MORE (*Regina City*): Well if you could put it in the motion that the appropriate cross-references should be made.

Mr. ELDERKIN: That would be in regard to where it says 7 to 10.

Mr. MORE (*Regina City*): That is right.

Mr. ELDERKIN: That the appropriate cross-references to other sections should be made in view of the re-numbering.

The ACTING CHAIRMAN: Shall clause 6 carry?

Clause 6 agreed to.

Mr. DAVIS: Is this the old clause 7?

The ACTING CHAIRMAN: No; we keep the number we have now. Shall clause 7 carry?

On clause 7—*Limit on shares held by non-residents.*

Mr. DAVIS: As a matter of information, clause 7, heading 3, and this is in respect to "no shares shall be transferred to a government". Is the wording there the same wording proposed in the revised Bank Act?

Mr. ELDERKIN: No, in the bill to revise the Bank Act there is a relief to a certain extent in this. No shares can be owned by a government but shares may be owned by an agency of a government which is for the purpose of administering the pensions fund or like fund but the shares are non-voting. That is in the new bill which is an addition to this clause.

Mr. DAVIS: Does this preclude this bank from—

Mr. ELDERKIN: No, it will not because as soon as the new act comes into effect it overrides this.

Mr. DAVIS: I was not sure if it overrides this.

Mr. ELDERKIN: It overrides this.

Mr. DAVIS: Fine.

The ACTING CHAIRMAN: Does clause 7 carry? Clause 7 agreed to.

Mr. ELDERKIN: Mr. Chairman, again I think we will have to add in each case this cross-reference memo.

The ACTING CHAIRMAN: Yes, but we passed that for all the clauses.

Mr. ELDERKIN: Oh, fine. Thank you.

The ACTING CHAIRMAN: Shall clause 8 carry?

Clauses 8 to 13, inclusive, agreed to.

The ACTING CHAIRMAN: Now we will go back to the preamble.

Mr. BASFORD: I would like to move an addition to the bill. I would move that the bill be amended by adding thereto a new clause as follows: "No

executive officer of the bank shall be a director, employee, or officer of any government or agency thereof."

The ACTING CHAIRMAN: Do you have your motion?

Mr. BASFORD: Yes.

The ACTING CHAIRMAN: Do we have a seconder for this motion?

Mr. CLERMONT: I second the motion.

The ACTING CHAIRMAN: Mr. Basford moved, seconded by Mr. Clermont, that the bill be amended by adding thereto a new clause as follows: "No executive officer of the bank shall be a director, employee, or officer of any government or agency thereof".

Mr. BASFORD: Mr. Chairman, this is in most applications that come before us. The promoters or provisional directors are able to give the committee a close outline of who are going to be the principals of the bank. This we do not have here, except the statement in the submission that there will be a leading Canadian banker made the chief officer. This I would agree with.

We also have Mr. Gunderson's undertaking that he is not going to be an executive officer, so I see nothing wrong with putting this in the legislation and requiring that the chief officers who would be chairman of the board, the general manager, shall not be civil servants. I think that it would be very bad for senior civil servants to occupy the chief executive positions in this or in any other bank, in that I do not think that they could enjoy the confidence of the business community that is so necessary.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Did you Mr. Basford, include the word "agent of any government"?

Mr. BASFORD: Or agent thereof.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That raises a question in my mind of what is the definition of an "agent"? It might be a very temporary thing.

Mr. BASFORD: I said "any government or agency thereof".

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Oh, I am sorry, I thought you said "director, employee, or agent".

Mr. BASFORD: This is the word which I think has quite sufficient judicial interpretation in that context?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I am sorry, I misunderstood you, I thought you were speaking of "shall not be a director, employee or agent", and I got the agency in the wrong spot.

Mr. DAVIS: In the word "government", is a foreign government included in this or do words elsewhere in the bill preclude this?

Mr. BASFORD: I think the whole bill and the Bank Act would prevent a non-Canadian from being the chief officer.

Mr. DAVIS: I just wanted to be explicit. You really mean provincial governments. You do not mean municipal governments?

Mr. GUNDERSON: Governments; he does not say.

Mr. DAVIS: No, but I wondered.

The ACTING CHAIRMAN: Do you wish to add something more specific to that, Mr. Basford?

Mr. BASFORD: I am quite happy with the meaning of government which I think is quite clear.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That includes municipal governments.

Mr. BASFORD: Yes.

Mr. MORE (*Regina City*): The main comment, Mr. Chairman, is that we are seeking to do something here which parliament has not yet done, and when parliament does it this bank will have to comply just as the present banks do. We just asked them to remove the discriminatory clause. It did not hold with the operation of other national banks, and now we seek to impose without parliamentary action having been taken, the same on all other banks. That is discrimination and restriction and I will vote against the proposal.

Mr. LAMBERT: Mr. Chairman, it is the same question again of discrimination with respect to this one bank. If Mr. Basford's principle is valid it is valid for all banks; but it would then be a proposition for discussion and public submission as the whole of the Bank Act is then a matter of submission by the other banks. Mr. Basford might be interested in knowing what the views of the Canadian Bankers' Association are in regard to such a proposition. If it is included in this bill, it remains merely discriminatory with regard to this bank for a certain period.

If the principle Mr. Basford advocates is sound and will stand up, it will stand up under Bill No. C-222. If it cannot stand up to the music in regard to that, it has no place in this particular bill. It on that basis that I put it forward. I have received much the same arguments as I made before; I think the strictures are again much too narrow.

Mr. LEBOE: Just to make it short, I certainly support the view which has just been expressed.

The ACTING CHAIRMAN: Are there any other comments? I will put the question. I will read the motion first. Moved by Mr. Basford, seconded by Mr. Clermont, that the bill be amended by adding thereto a new clause as follows: "No executive officer of the bank shall be a director, employee, or officer of any government or agency thereof". Those in favour of this new clause, please raise your hands. Those opposed.

Motion agreed to.

So we have another clause. It is going to be clause 14, but as the bill will appear when revised it will be clause 13. Shall the preamble carry?

Preamble agreed to.

The ACTING CHAIRMAN: Shall the title carry?

Title agreed to.

The ACTING CHAIRMAN: Shall the bill as amended carry?

Bill as amended agreed to.

The ACTING CHAIRMAN: Shall I report the bill with amendments?

Some hon. MEMBERS: Agreed.

Mr. LAMBERT: Just one point, Mr. Chairman, have you received any indication when we will start on the next item of business namely having the banking legislation?

Mr. ELDERKIN: Next Tuesday at 11.00 a.m.

Mr. LAMBERT: Fine, thank you.

The ACTING CHAIRMAN: We will start with Mr. Elderkin on the Bank Act.

Mr. DIETRICH: Mr. Chairman, may I thank you and the members of the committee for this kind consideration of our bill; we sincerely appreciate it. I am speaking on behalf of all the provisional directors.

The ACTING CHAIRMAN: Thank you, very much, sir.

The meeting is adjourned.

APPENDIX "A"

THE PROVISIONAL DIRECTORS

DIETRICH, Frederick Hawthorne

Born: Vancouver, B.C., September 19, 1915. Son of Jeanette Louise Dietrich, Panorama Ridge, Surrey, B.C., and the late Frederick A. Dietrich.

Educated: Prince of Wales Public and High Schools and University of British Columbia.

Married: Elizabeth Ann Scott, Vancouver, B.C., November 1, 1947; children—1 daughter, 2 sons.

Business:

President—Dietrich-Collins Equipment Ltd., (Incorporated in 1946), 890 S. W. Marine Drive, Vancouver 14, B.C.

President—Dietrich-Collins Logging Supply Co. Ltd.

Vice-President—Homestake Mines Ltd. (N.P.L.)

President—Inter B.C. Gas Transmission Ltd.

Immediate Past President—B.C. Division, The Canadian Red Cross Society

Director & Past President—Boy's Clubs of Vancouver

Director—Boy's Clubs of Canada

Director—Canadian Forestry Association

Provisional Director—Bank of British Columbia

Director—National Cable Vision Ltd.

Director—Big Brothers of British Columbia

Member—Board of Governors, Simon Fraser University.

Chairman—Honorary Board of Governors in British Columbia for The Canadian Association for Retarded Children

Charter Member & former Vice-President & Director—B.C. Lions Football Club

Charter Member & Past President—B.C. Chapter, Young Presidents' Organization

Director—Canadian Association for Retarded Children

War service:

1941-43—Secretary, Supplies, Rubber & Timber Controls, Department of Munitions and Supply, Ottawa

1943-44—Executive Assistant to Co-ordinator, Capital Equipment and Durable Goods Administration, Wartime Prices and Trade Board

1944-45—Deputy Administrator, Plumbing and Heating Division, Wartime Prices and Trade Board.

Fraternity:

Phi Delta Theta

Societies:

A.F. & A.M. (Freemasons); Scottish Rite; Shrine (Giseh) Temple.

Clubs:

Vancouver Club, Shaughnessy Golf & Country Club

Residence:

1450 Acadia Rd., Vancouver 8, B.C.

ELWORTHY, Harold Barrington

Born: Victoria, B.C., December 16, 1901. Son of Frederick and Clara Emma (Richardson).

Educated:

Public schools, Victoria, B.C., and University School, Victoria, B.C.

Married: Myrta Gladys, daughter of Albert McDonald, of Shawinigan Lake, B.C., July 18, 1921; children—1 daughter, 3 sons.

Business: Chairman of Board, Island Tug & Barge Limited; commenced career in 1918 with B.C. Salvage Co. Ltd., Victoria, B.C., which later became the Pacific Salvage Co. Ltd., Victoria, B.C., which later became the

Business: Chairman of Board, Island Tug & Barge Limited; commenced career in 1918 with B.C. Salvage Co. Ltd., Victoria, B.C., which later became the Pacific Salvage Co. Ltd.; was responsible for the formation of Island Tug & Barge Limited, Victoria, B.C., in 1925, acting as Manager and Managing Director; assisted in formation of Straits Towing & Salvage Co. Ltd., Vancouver (later disposing of his interests), acting as Vice-President and Managing Director in 1942.

Director:

Imperial Inn Ltd.

Coastal Company, Seattle, Wash.

Point Hope Shipyards Ltd.

Trans Pacific Towing & Salvage Co. Ltd.

Provisional director: Proposed Bank of British Columbia.

Positions held: Chairman, Victoria University Development Board.

Past positions held:

Director, Queen Alexandra Solarium for Crippled Children, 1955-60.

Vice-President, Victoria Chamber of Commerce, 1941.

Member:

Advisory Board, The Royal Trust Company.

Board of Governors, University of Victoria.

B.C. Towboat Owners' Association.

Vancouver Merchants Exchange.

Vancouver Board of Trade.

A.F. & A.M.

A.A.S.R.

Shrine.

Religion: Anglican.

Recreation: Fishing

Clubs:

Union Club of British Columbia.

Rotary.

Vancouver and Terminal City.

Home: 3150 Tarn Place, Victoria, B.C.

Office: 345 Harbour Road, Victoria, B.C.

GUNDERSON, Einar Maynard, F.C.A.

Born: Cooperstown, North Dakota, July 6, 1899. Son of the late O. S. Gunderson and the late Martha (Dahlin) Gunderson.

Educated: University of Saskatchewan.

Married: Margaret, daughter of the late William McConachie, December 24, 1919; children—1 daughter, 2 sons.

Business:

Senior Partner, Gunderson Stokes Walton & Co. Commercial career with firm of chartered accountants in Edmonton, Alta.; after five years entered Alberta Department of Lands and Mines in 1930; appointed Superintendent of Income Tax to organize and administer the Provincial Income Tax Act, 1932, and in 1935 administration of Sales Tax Branch was added; entered private practice as a chartered accountant in Edmonton, Alta., 1936; appointed Comptroller of Marshall Wells Canadian Companies in 1942; served for two terms as member of School Board, Edmonton, Alta.; moved to Vancouver, B.C., in 1945 and entered into partnership with G. W. Thompson & Co. income tax specialists.

Leading directorates:

Chairman of Board, Northwest Life Assurance Company Pacific National Exhibition.

Provisional director: Proposed Bank of British Columbia.

Positions held:

Executive Vice-President and Director, Pacific Great Eastern Railway Company.

Executive Director, British Columbia Hydro and Power Authority.

Director, Columbia Electronic Protection Limited.

Governor, University of British Columbia.

Trustee, B.C. Medical Research Foundation.

Past positions held:

Minister of Finance, Province of British Columbia, 1952-54.

Director, Canadian Imperial Bank of Commerce.

Member of Council and Chairman of Taxation Committee, Institute of Chartered Accountants of British Columbia.

President, Institute of Chartered Accountants of Alberta.

President, Pacific Northwest Trade Association.

War service: Royal Air Force, 1918.

Member:

British Columbia Ferry Authority.
Vancouver Board of Trade.
British Columbia Consistory—Scottish Rite.
Royal Order of Scotland, Red Cross of Constantine.

Religion: United Church.

Clubs:

Vancouver—Rotary, Canadian, Vancouver, Shaughnessy Golf and Country Club, University, Faculty.
Victoria—Victoria Golf, Union.

Home: 6957 Marguerite Street, Vancouver, B.C.

Office: 475 Howe Street, Vancouver, B.C.

MEARNS, William Clark

Born: Victoria, B.C., August 19, 1909. Son of William Hunter and Mildred (Baker).

Educated:

Oak Bay High School Victoria, B.C.
Stanford University (B.A. in electrical engineering), 1932.
University of Washington (postgraduate work in engineering and business administration), 1933.
Advanced Management Program at Harvard, 1954.

Married: Loula Cary Cameron, daughter of Donnell O. Cameron, Los Angeles, Calif., January 27, 1940; children—3 daughters, 1 son.

Business: Executive Director, British Columbia Hydro and Power Authority, Vancouver, B.C., since 1962; joined British Columbia Electric Co. Ltd., 1934; Vice-President, British Columbia Electric Co. Ltd., 1958.

Director:

International Power and Engineering Consultants Limited, Vancouver, B.C.
Down Town Business Association of Vancouver.
Lucky Lager Breweries Limited.

Provisional director: Proposed Bank of British Columbia.

Positions held: Governor of the University of Victoria.

Past positions held:

President, B.C. Natural Resources Conference.
President, Victoria Junior Chamber of Commerce.
President, Victoria Electric Club.
Vice-President and Director, Victoria Chamber of Commerce, the Victoria Rotary Club, and the Pacific Northwest Trade Association.
Director, Queen Alexandra Solarium, the Victoria Community Chest, and the Victoria Y.M.C.A.

Member:

Advisory Board of the Canada Trust Company.
Professional Engineers' Association of the Province of British
Columbia.
Institute of Electrical and Electronics Engineers, Inc.
Victoria Chamber of Commerce.

Religion: Protestant.

Clubs:

Union Club of British Columbia.
Victoria Golf Club.
Royal Colwood Golf Club of Victoria, B.C.
Capilano Golf Club of Vancouver, B.C.

Home: 3245 Beach Drive, Victoria, B.C.

Business: 970 Burrard Street, Vancouver, B.C.

WALLACE, John Alfred Griffith

Born: Vancouver, B.C., December 28, 1921. Son of Hubert Alfred and
Gwladys (Griffith).

Educated:

Prince of Wales Public School, Vancouver, B.C., 1928-34.
Point Grey Junior High School, Vancouver, B.C., 1934-36.
Trinity College School, Port Hope, Ont., 1936-39.
University of British Columbia, Vancouver, B.C., 1939-41.

Married: Doreen Adela, daughter of R. S. Olson, Victoria, B.C., February
16, 1952; children—4 daughters, 1 son.

Business: General Manager, Yarrows Limited, shipbuilders, since 1957;
joined Burrard Dry Dock Co. Ltd., 1945; commenced training pro-
gramme at Yarrows Limited (subsidiary company), 1947; Assistant
Yard Manager, 1949; Yard Manager, 1950; Assistant General Man-
ager, 1956.

Director:

Burrard Dry Dock Co. Ltd.
Titan Steel & Wire Co. Ltd.
Victoria Chamber of Commerce.
Corps of Commissionaires.

Provisional director: Proposed Bank of British Columbia.

Positions held:

2nd Vice-President, Canadian Manufacturers' Association.

Past positions held:

President, B.C. Chamber of Commerce.
President, Victoria Chamber of Commerce, 1963.
Campaign Chairman, Greater Victoria Community Chest, 1963.
Chairman, B.C. Division, Society of Naval Architects and Marine
Engineers.
Chairman, B.C. Branch, Canadian Manufacturers' Association.

War service: Served overseas in Second World War with R.C.A.F.,
1941-43; R.C.N.V.R., 1943-45.

Member:

Zeta Psi.

Society of Naval Architects and Marine Engineers.

Religion: Anglican.

Recreations: Gold, squash.

Clubs:

Union Club of British Columbia.

The Racquet Club of Victoria.

Victoria Golf Club.

Home: 661 Newport Avenue, Victoria, B.C.

Office: P.O. Box 1030, Victoria, B.C.

E. M. GUNDERSON of Gunderson Stokes Walton & Co. Chartered Accountants
 (All emoluments from positions held considered as fees of Partnership.)
Other Directorships

1. BEM Investments Ltd.	1952-To date
2. Black Ball Ferries Ltd.	1957-1961
3. British Columbia Medical Research Foundation	1956-1965
4. Canadian Bank of Commerce	1955-1964
5. Canadian Imperial Bank of Commerce	
6. Cape Cook Fish Co. Ltd.	1957-To date
7. Columbia Electronic Protection Ltd.	1964-To date
8. Deeks-McBride Ltd.	1955-1964
9. Floe Bros. Fishing Co. Ltd.	1952-To date
10. Kaare Fishing Co. Ltd.	1952-To date
11. Marshall Wells of Canada Limited	1960-1965
12. McConachie Holding Ltd.	1948-1963
13. Model Sand & Gravel Ltd.	1959-To date
14. Multnomah Canadian Fund Ltd.	1957-1962
15. Norse Investments Ltd.	1950-To date
16. North West Life Assurance Company	1964-To date
17. Pacific National Exhibition	1956-To date
18. Peace River Power Development Co. Ltd.	1958-1961
19. R & K Fishing and Packing Ltd.	1951-1960
20. Wenner-Gren B.C. Development Co. Ltd.	1957-1960
21. Wold Boat Co. Ltd.	1949-1964

APPENDIX C

MR. W. C. MEARNS'

INCOME FROM CROWN CORPORATIONS

Earnings (including accrued earnings)	Calendar Year				
	1961	1962	1963	1964	1965
	\$	\$	\$	\$	\$
B.C. Electric Company Limited					
1 Aug. '61 to 31 Dec. '61.....	11,458.31				
1 Jan. '62 to 29 Mar. '62.....		6,770.84			
B.C. Hydro and Power Authority					
30 Mar. '62 to 31 Dec. '62.....		20,729.16			
1963 to 1965.....			27,500.00	27,500.00	27,500.00
IPEC.....	83.00	500.00	500.00	500.00	500.00
	11,541.31	28,000.00	28,000.00	28,000.00	28,000.00

CORPORATE OFFICES AND DIRECTORSHIPS HELD BY W. C. MEARNS

<i>Name of Company</i>	<i>Position Held</i>	<i>Effective Date</i>
British Columbia Electric Company Limited	Vice-President	April 1, 1958
	Director	Aug. 4, 1961
	Vice-President, Development	Sept. 1, 1961
British Columbia Hydro and Power Authority	Director and Member of Executive Management Committee	Mar. 30, 1962
	Executive Director	April 19, 1962
Canada Trust Company	Member of Victoria Advisory Board	June, 1961
Columbia Estate Company, Limited	Director	Aug. 25, 1965
International Power and En- gineering Consultants Limited	Director	Oct. 23, 1961
Lucky Lager Breweries Ltd.	Director	Aug. 13, 1964
Red Star Petroleum Limited	Director	May 9, 1962

CORPORATE OFFICES AND DIRECTORSHIPS HELD BY W. C. MEARNS
IN NON-OPERATING COMPANIES

<i>Name of Company</i>	<i>Position Held</i>	<i>Effective Date</i>
Blue Line Sightseeing Tours Limited	Director	Oct. 26, 1961
Blue Line Transit Ltd.	Director	Apr. 4, 1951
	(Resigned)	June 30, 1955
	(Re-appointed)	Mar. 28, 1958
	President	July 31, 1961
*British Columbia Electric Company Limited	Director	Oct. 8, 1963
	President	Oct. 16, 1963
British Columbia Rapid Transit Company, Limited.	Director	Nov. 9, 1961
Columbia Power Company Limited	Director	Nov. 4, 1964
	Vice-President	June 30, 1965
Gray Line Motor Tours Limited	Director	Oct. 24, 1961
National Utilities Corporation, Limited	Director	Apr. 4, 1951
	(Resigned)	June 30, 1955
	(Re-appointed)	Mar. 28, 1958
	President	July 31, 1961
Pacific Stages Limited	Director	Oct. 31, 1961
Riverland Irrigated Farms Limited	Director	Oct. 27, 1961
Stobart Building Limited	Director	Apr. 4, 1951
	(Resigned)	June 30, 1955
	(Re-appointed)	Mar. 28, 1958
	President	Mar. 28, 1958
The Vancouver, Fraser Valley and Southern Railway Company	Director	Oct. 24, 1961
Victoria Gas Company Limited	Director	May 20, 1958

* Company amalgamated with B. C. Hydro, 20 Aug., 1965.

APPENDIX D

ISLAND TUG & BARGE LIMITED

Victoria, British Columbia
May 9, 1966

Mr. Harold B. Elworthy,
Chairman of the Board,
Island Tug & Barge Limited,
P.O. Box 520,
Victoria, B.C.

Dear Sir:

In reply to your request to supply the volume of sales that we have done with the Provincial Government of British Columbia or related departments or authorities, we are pleased to attach a schedule setting out this amount.

As disclosed by reviewing the Accounts Receivable for the period January 1, 1955 to April 30, 1966, the total sales amounted to \$39,440.87.

We would be pleased to supply you with any further information you may require in this regard.

Yours truly,

ISLAND TUG & BARGE LIMITED

J. A. Spencer, Assistant Treasurer.

ISLAND TUG & BARGE LIMITED

SALES TO PROVINCE OF BRITISH COLUMBIA

Pacific Great Eastern Railway, British Columbia
Toll Authority, British Columbia Hydro & Power Authority
for the period January 1; 1955 to April 30, 1966

A—PROVINCE OF BRITISH COLUMBIA

Nil

B—PACIFIC GREAT EASTERN RAILWAY

1957—October	Movement of railway cars by barge	\$ 3,564.50	\$	\$
November	" "	129.96		
			3,694.46	
1958—January	" "	1,042.20		
February	" "	130.00		
July	" "	558.93		
			1,731.13	
1961—January	" "	979.64		
March	" "	267.33		
April	" "	228.72		
July	" "	314.00		
			1,789.69	
1962—July	" "	404.25		
August	" "	404.25		
			808.50	

1964—March	"	"	137.50		
April	"	"	128.04		
June	"	"	250.00		
July	"	"	62.50		
August	"	"	75.00		
September	"	"	550.00		
October	"	"	62.50		
				1,265.54	
1965—April	"	"	160.00		
December	"	"	709.76		
				869.76	10,159.08
C—BRITISH COLUMBIA TOLL AUTHORITY					
1962—June	Towing ferry "Smokwa"		8,750.00		
July	"		6,850.00		
September	Radar repairs "Delta Princess"		32.52		
November	Diving		337.35		
November	Assisting ferry at Tsawwassen		675.00		
				16,644.87	16,644.87
1963—February	Towing ferry "Smokwa"		2,600.00		
February	Towing ferry "Jervis Queen"		1,700.00		
February	Assisting ferry at Tsawwassen		375.00		
February	Assisting ferry at Tsawwassen		375.00		
July	Towing ferry "Queen of The Islands"		550.00		
July	Diving		165.00		
				5,765.00	
1964—January	Diving		165.00		
March	Diving		165.57		
July	Assisting "Pender Queen"		50.00		
July	Diving		56.00		
				436.57	6,201.57
D—BRITISH COLUMBIA HYDRO AND POWER AUTHORITY					
1962—June	Diving survey		750.00		
July	Rental of equipment		80.00		
				830.00	
1964—August	Sale of radio parts		28.35		
September	Diving survey		1,050.00		
September	Diving—Trial Island		700.00		
September	Laying cable		3,500.00		
October	Miscellaneous		27.00		
December	Diving		300.00		
				5,605.35	
					6,435.35
Total					\$39,440.87

PRINCESS MARY RESTAURANT LTD.

Victoria, British Columbia
May 9, 1966

Mr. Harold B. Elworthy,
Chairman of the Board,
Island Tug & Barge Limited,
P.O. Box 520,
Victoria, B.C.

Dear Sir:

In reply to your request to supply the volume of sales that we have done with the Provincial Government of British Columbia or related departments or authorities, we are pleased to attach a schedule setting out this amount.

As disclosed by reviewing the Accounts Receivable for the period January 1, 1955 to April 30, 1966, the total sales amounted to \$13,440.00.

We would be pleased to supply you with any further information you may require in this regard.

Yours truly,
PRINCESS MARY RESTAURANT LTD.
J. A. Spencer, Treasurer.

PRINCESS MARY RESTAURANT LTD.

Sales to Province of British Columbia
for the period January 1, 1955 to April 30, 1966

Province of British Columbia	
1966 Gross sales of operating Members' Dining Room	
British Columbia Legislative Buildings	<u>\$ 13,440.00</u>

TRANS PACIFIC TOWING & SALVAGE LTD.

May 9, 1966.

Mr. Harold B. Elworthy
Chairman of the Board
Island Tug & Barge Limited
P. O. Box 520
Victoria, B.C.

Dear Sir:

In reply to your request to supply the volume of sales that we have done with the Provincial Government of British Columbia or related departments or authorities, we are pleased to advise you of the following:

As disclosed by reviewing the Accounts Receivable for the period January 1, 1955 to April 30, 1966, the total sales were NIL.

We would be pleased to supply you with any further information you may require in this regard.

Yours truly,
TRANS PACIFIC TOWING & SALVAGE LTD.

J.A. Spencer,
Assistant Treasurer.

VICTORIA TUGBOATS LTD.
VICTORIA, B.C.

May 9, 1966.

Mr. Harold B. Elworthy
Chairman of the Board
Island Tug & Barge Limited
P.O. Box 520
Victoria, B.C.

Dear Sir:

In reply to your request to supply the volume of sales that we have done with the Provincial Government of British Columbia or related departments or authorities, we are pleased to advise you of the following:

As disclosed by reviewing the Accounts Receivable for the period January 1, 1955 to March 31, 1966, the total sales were NIL.

We would be pleased to supply you with any further information you may require in this regard.

Yours truly,

VICTORIA TUGBOATS LTD.
J. A. Spencer,
Assistant Treasurer.

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations
and/or a translation into English of the French.

Copies and complete sets are available to the
public by subscription to the Queen's Printer.
Cost varies according to Committees.

LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

TUESDAY, OCTOBER 25, 1966

Respecting

Bill C-190, An Act to amend the Bank of Canada Act.

Bill C-222, An Act respecting Banks and Banking.

Bill C-223, An Act respecting Savings Banks in the Province of Quebec.

WITNESS:

Mr. C. F. Elderkin, Inspector General of Banks.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme
and Messrs.

Addison,	Comtois,	Langlois (<i>Mégantic</i>),
Basford,	Davis,	Leboe,
Cameron (<i>Nanaimo-</i>	Flemming,	Lind,
<i>Cowichan-The Islands</i>),	Fulton,	McLean (<i>Charlotte</i>),
Cashin	Gilbert,	Monteith,
Chrétien,	Irvine,	More (<i>Regina City</i>),
Clermont,	Lambert,	Munro,
Coates,	Lamontagne,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

ORDERS OF REFERENCE

MONDAY, June 13, 1966.

Ordered,—That Bill C-190, An Act to amend the Bank of Canada Act, be referred to the Standing Committee on Finance, Trade and Economic Affairs.

THURSDAY, October 6, 1966.

Ordered,—That the following Bills be referred to the Standing Committee on Finance, Trade and Economic Affairs:

Bill C-223, An Act respecting Savings Banks in the Province of Quebec.

Bill C-222, An Act respecting Banks and Banking.

MONDAY, October 17, 1966.

Ordered,—That the Standing Committee on Finance, Trade and Economic Affairs be authorized to sit while the House is sitting during consideration of Bills S-16, C-190, C-222 and C-223.

TUESDAY, October 25, 1966.

Ordered,—That the Standing Committee on Finance, Trade and Economic Affairs be authorized to engage the services of counsel, accountants and such other clerical and technical personnel as may be deemed necessary by the Committee during consideration of Bill C-190, C-222 and C-223.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House of Commons

THURSDAY, October 20, 1966.

REPORT TO THE HOUSE

The Standing Committee on Finance, Trade and Economic Affairs has the honour to present its

THIRTEENTH REPORT

Your Committee recommends that it be authorized to engage the services of counsel, accountants and such other clerical and technical personnel as may be deemed necessary by the Committee during consideration of Bills C-190, C-222 and C-223.

Respectfully submitted,

HERB GRAY,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, October 25, 1966.
(26)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.12 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Addison, Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Clermont, Davis, Flemming, Gilbert, Fulton, Gray, Lambert, Leboe, McLean (*Charlotte*)—(12).

Also present: Messrs. Grégoire and Thompson.

In attendance: Mr. C. F. Elderkin, Inspector General of Banks; Dr. P. M. Ollivier, Parliamentary Counsel.

The Committee commenced consideration of Bill C-222, An Act respecting Banks and Banking.

On motion of Mr. Addison, seconded by Mr. Clermont,

Resolved,—That the resolutions of the Committee passed at the meeting of October 13, 1966 respecting submission of briefs and procedure during study of the banking legislation be appended to this day's Minutes of Proceedings and Evidence. (*See Appendix A*).

Mr. Elderkin was called, and laid on the table the following documents relating to the chartered banks of Canada:

Exhibit No. 1: Summary Showing Fate of all Banks Active at or Incorporated since July 1, 1867.

Exhibit No. 2: Condensed Statement of Assets and Liabilities as at December 31, 1954 and 1965.

Exhibit No. 3: Increases in Rest Account and Paid-Up Capital During the Financial Years 1954 to 1965 and Totals for Prior Years.

Exhibit No. 4: Shareholders' Equity at the Financial Year Ends in 1965.

Exhibit No. 5: Location of Shareholders at Financial Year Ends 1953 and 1965.

Exhibit No. 6: Average Assets, Average Shareholders' Equity, Net Profits and Dividends Paid in Financial Years 1954 to 1965.

Exhibit No. 7: Classification of Loans in Canadian Currency at December 31, 1954 and 1965.

Exhibit No. 8: Average Rate of Interest and Discount on Loans in Canada during Financial Years 1954 to 1965.

Exhibit No. 9: Deposit Liabilities Payable to the Public in Canada in Canadian Currency, as at September 30, 1954 and 1965.

Exhibit No. 10: Interest Rates Paid on Personal Savings Deposits in Canada from January 1, 1924 to December 31, 1965.

Exhibit No. 11: Earnings, Expenses and Additions to shareholders' Equity for Financial Years 1954 and 1965.

Exhibit No. 12: Ratio of Average Annual Loss Experience to Related Assets for Periods of Twenty-Five Financial Years.

Exhibit No. 13: Branches of Chartered Banks at December 31, 1954 and 1965.

Exhibit No. 14: Rules for the Determination of the Inner Reserves for the Financial Year Ending in 1965.

On motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Leboe,

Resolved,—That Exhibits Nos. 1 to 14 tabled by the Inspector General of Banks be an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix B*).

The Chairman directed the Clerk to distribute copies of the exhibits to members of the Committee, pending publication of the printed Proceedings.

Mr. Elderkin also tabled copies of proposed amendments to Bill C-222, copies of which were distributed to the members.

On motion of Mr. Clermont, seconded by Mr. Fulton,

Resolved,—That proposed amendments to Bill C-222, as tabled by the Inspector General of Banks, be an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix C*).

At the invitation of the Chairman, Mr. Elderkin commenced a clause by clause explanation of Bill C-222, and was questioned.

The explanation continuing, at 12.55 p.m. the Committee adjourned until 3.30 p.m. this day.

AFTERNOON SITTING

(27)

The Committee having been adjourned until 3.30 p.m. this day, the following members were present: Messrs. Comtois and Gray.

There being no quorum, the Chairman adjourned the meeting until 8.00 p.m. this day.

EVENING SITTING

(28)

The Committee resumed at 8.10 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Addison, Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Clermont, Flemming, Fulton, Gray, Lambert, Leboe—(9).

Also present: Mr. Grégoire.

In attendance: Mr. C. F. Elderkin, Inspector General of Banks and Dr. P. M. Ollivier, Parliamentary Counsel.

Mr. Elderkin continued explanation of Bill C-222, and was questioned.

At 9.30 p.m., the division bells having rung, the Committee adjourned until 11.00 a.m., Thursday, October 27, 1966.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, October 25, 1966.

(Translation)

The CHAIRMAN: I will now call the committee to order. Gentlemen, our order of business today is to begin our consideration of Bill No. C-222, an Act respecting Banks and Banking. Our primary witness today is Mr. C. F. Elderkin, Inspector General of Banks, who is supported by Dr. Ollivier, Counsel to the Parliament of Canada.

You will recall that the steering committee, which adopted the recommendation, that this stage of our proceedings be for the purpose of obtaining explanation and clarification of the legislation, followed by the hearing of witnesses from outside the government sector, with discussion and debate on the merits of the legislation. The pros and cons of policy are to be left to a third stage following the hearing of briefs from the public, and so on.

Therefore, I would ask the members of the committee to limit their questions of Mr. Elderkin to the general area of explanation and clarification to provide a background for the study of briefs from people outside the government sector and also for our debate on the merits of the legislation which will follow.

I am going to invite Mr. Elderkin to begin. He will go through the bill with us clause by clause, giving such explanations and interpretations as he deems necessary. If any one has any questions to put to Mr. Elderkin about anything he says or anything in the bill, I would ask them to speak up promptly as soon as he makes his comments.

Before we call on Mr. Elderkin, I would ask for a motion that the resolutions of the committee respecting procedure and submission of briefs during study of the banking legislation be appended to today's minutes of proceedings and evidence.

Mr. ADDISON: I move that the resolutions of the committee respecting procedure and submission of briefs during study of the banking legislation be appended to today's minutes of proceedings and evidence.

Mr. CLERMONT: I second the motion.

The CHAIRMAN: Does the motion carry?

Motion agreed to.

The CHAIRMAN: I think I will now invite Mr. Elderkin to begin.

Mr. LAMBERT: Mr. Chairman, I would like to make a comment. I would say that in regard to this scheduling that we have proposed, there may be some difficulties with regard to the question of deposit insurance. I am sure that a number of the banks, or the Canadian Bankers Association, and a number of the

trust companies who may wish to appear and make comment upon the Bank Act would also, at the same time, want to make comments about any proposals with regard to deposit insurance.

I find it extraordinary at this time that we do not have an indication, either to the committee or to the public, what the proposals are in this regard. I do not think it is fair to ask the public to come back twice, nor that we should have to see them twice. This forms an integral part of our considerations and I would urge that we certainly see as much as possible of this proposal with regard to deposit insurance at the earliest date prior to the deadline for the receiving of briefs.

The CHAIRMAN: I think your point is well taken and I can inform the committee that I have already been in touch with the Minister of Finance about this and I hope that my contacts with him, supported by your very firm comments, will lead to as much information as possible about the deposit insurance proposal being made available to us at the earliest possible date. Of course, Mr. Elderkin, a senior official of the department, is with us and I am sure he will carry these comments to the Minister very shortly.

Mr. Elderkin, if you would like to begin.

Mr. C. F. ELDERKIN (*Inspector General of Banks, Department of Finance*): Mr. Chairman, with your permission I would first like to table a few exhibits. It has been the custom in past meetings of this committee on a bill of this kind to table several exhibits which would help the members of the committee to study the bill more carefully. These, if I may list them, are as follows: first, a summary showing the state of all banks active at or incorporated since July 1, 1867; condensed statement of assets and liabilities at December 31, 1954 and 1965; increases in rest account and paid-up capital during the financial years 1954 to 1965, and totals for prior years; shareholders' equity at the financial year end 1965; location of chartered banks shareholders at financial year end 1965, and other data respecting that; average assets, shareholders' equity, net profits and dividends paid in financial years 1954 to 1965; classification of loans in Canadian currency December 31, 1954 and 1965; average rate of interest and discount on loans in Canada during financial years 1954 to 1965; deposit liabilities payable to the public in Canada in Canadian currency as of September 30, 1954 and 1965; interest rates paid on personal savings deposits in Canada from January 1, 1924 to December 31, 1965; earnings, expenses and additions to shareholders' equity for financial years 1954 and 1965; ratio of average annual loss experience to related assets for period of 25 financial years ending in 1965; branches at December 31, 1954 and 1965 and, finally, the rules for the determination of the inner reserves for the financial year ended in 1965, issued under date of September 16, 1965.

As these can form part of the proceedings later on, Mr. Chairman, it might be helpful if you had copies.

The CHAIRMAN: I understand, Mr. Elderkin, at the moment there are not enough copies for all the members of the committee. I will, therefore, submit this to the clerk and ask her to make copies and distribute them among the members of the committee as quickly as possible.

With this understanding I would invite a motion from the committee that Exhibits 1 to 14, as tabled by Mr. Elderkin, be made an appendix to today's minutes and proceedings.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I move that Exhibits 1 to 14, as tabled by Mr. Elderkin, be printed as an appendix to today's minutes and proceedings.

Mr. LEBOE: I second the motion.

The CHAIRMAN: Does this motion carry?

Motion agreed to.

The CHAIRMAN: Before asking you to proceed further, Mr. Elderkin, I perhaps should explain that ordinarily we might have begun with consideration of the Bank of Canada amendments in a preliminary way. However, Mr. Rasminsky, the Governor of the Bank of Canada, has commitments to attend board meetings out west, and to avoid complications we decided that we would begin our explanatory stage with the amendments to the Bank Act itself, to be followed by the explanatory stage to the Bank of Canada Act. This is just a word of explanation.

Perhaps, you can continue, Mr. Elderkin.

Mr. ELDERKIN: Mr. Chairman, may the copies of the proposed amendments be distributed to the members?

The CHAIRMAN: Perhaps you should explain what is involved.

Mr. ELDERKIN: The government is proposing quite a number of amendments to the bill as it stands, some of them editorial, some of them actually not a change in policy but, as I will explain as we go on, some expansion in information, and some for clarification purposes only. I will try to deal with them at the same time I deal with the clause in the bill. Unfortunately, I do not have copies in French but this will be done later when the amendments are discussed.

This is only for information at the present time to make it easier to study the bill.

The CHAIRMAN: Not for formal motions but to avoid double explanations, actually. Of course, it is understood that the formal presentation of these amendments, in so far as that is technically necessary, will be deferred to the third stage of our proceedings. It will be up to members of the committee whether they wish to propose them, and so on, in the usual way.

(Translation)

Mr. GRÉGOIRE: When will we obtain the French copy of the amendments?

The PRESIDENT: I will ask Mr. Elderkin to have those documents translated as soon as possible, so that French speaking members may have an opportunity to study them.

The CHAIRMAN: I suppose the work is being done now?

Mr. ELDERKIN: They will be translated, Mr. Chairman, for the formal motion. This work is in the hands of the translators now.

The CHAIRMAN: I would recommend, Mr. Elderkin, that instructions be given to accelerate the translation because I think it would be useful to have them available for complete study in both French and English even before we reach that stage.

Mr. ELDERKIN: Well, they are being done.

The CHAIRMAN: I think it would be helpful if we also had a motion that the proposed amendments to Bill No. C-222 tabled by Mr. Elderkin be made appendices to today's Minutes of Proceedings and Evidence.

Mr. CLERMONT: I so move.

Mr. FULTON: I second the motion.

Motion agreed to.

Mr. ELDERKIN: Mr. Chairman, if I may carry on. I will try to be as brief as possible and give what explanations are necessary. We will take the bill clause by clause. In clause 1 we have added to the definition of agricultural instruments two or three items such as leaf tobacco tying machines, equipment for beekeeping, portable irrigation apparatus, and items of this kind. The additional implements mentioned are for the purpose of making it clear that security **may be given by a farmer under Section 88(1) on these items.**

Continuing on into paragraph (g) of that section on page 2, we get a new definition—

The CHAIRMAN: Mr. Lambert?

Mr. LAMBERT: I want to know what you define as a farm. I know it is defined in subclause (h) but there is no limitation, and then you get down to "and all tillage of the soil". I could have a three acre holding and cultivate an acre and a half of it; is that deemed to be a farm?

Mr. ELDERKIN: Well, I am not in a position to give any further legal definition of a farm. When we get to (h), which includes the term you mentioned "all tillage of the soil", it means, in other words, 'farm' means land in Canada used for tillage of the soil." I have never known, Mr. Lambert, that size had anything to do with it when it comes to giving a security under Section 88.

Mr. LAMBERT: I am concerned that it comes with what I consider later on to be a great intrusion into the effect of Section 88 by the introduction of the trust principle on proceeds from crops growing or produced upon the farm, which I would call the Whelan amendment. I am not going into the whys and wherefores of that particularly, but it becomes absolutely essential here to very definitely pin down what is meant by a farm.

The CHAIRMAN: There is an attempt to make a definition in subclause (h)—

Mr. LAMBERT: Yes, Mr. Chairman, but you will see, "and all tillage of the soil".

The CHAIRMAN: Perhaps we might clarify the matter by asking Dr. Ollivier if this section has been interpreted by the courts. I note here that (h) to (n) are exactly the same as (g) to (m) under the former act.

Mr. LAMBERT: Is it the same interpretation?

Mr. ELDERKIN: Except that we have added a few things to (h), bee-keeping, the production of maple products, the growing of trees and all tillage of the soil. Those are the changes from the former act.

The CHAIRMAN: In so far as the wording "'farm' means land in Canada used for the purpose of farming" and the catchall at the end "and all tillage of the soil".

Mr. ELDERKIN: That is right. Subclause (g) in the present act reads, "'farm' means land in Canada used for the purpose of farming, which term includes livestock raising, dairying, fruit growing and all tillage of the soil." It was in the old act. We are not introducing anything new in that part. The only new thing we are introducing here is bee-keeping, the production of maple products and the growing of trees.

Mr. LAMBERT: Yes, but you will agree with me though that it did not have quite the same import under the old act as is proposed under this act, because you have this new subclause (g) which has a very definite effect later on in the act.

The CHAIRMAN: I wonder, Dr. Ollivier, if you can inform us if the wording we are discussing now has been tested or interpreted by the courts?

Dr. P. M. OLLIVIER (*Parliamentary Counsel and Law Clerk*): I do not know but I think it might have been tested under different acts. It is not the only act where "farm" is defined. I would have to look that up.

Mr. LAMBERT: Yes, but I think you will agree that the definition of a farm under some other act is not necessarily applied to an interpretation of the Bank Act. I can see potential competing claims for security.

The CHAIRMAN: Well perhaps, doctor, we could ask you or someone from the Department of Justice to give us some information on how these words have been interpreted either under this act or an analogous one.

Mr. FULTON: Another question arises there; if you are including now for the first time the growing of trees—and the growing of trees is now a major part of lumbering—this does mean in Section 88 that security can be extended to the lumbering industry?

Mr. ELDERKIN: No, only in respect of the farm. What happens here, Mr. Fulton, is that the growing of Christmas trees, decorative trees, and so on, has become quite an industry in Canada. It was not intended to cover lumbering, it was intended to cover the growing of trees as a product. I do not think it was ever intended to cover reforestation for lumbering purposes.

Mr. FULTON: Dealing with intention, I was wondering if the net was cast sufficiently wide? That is my only question. If it said the growing of trees for marketing as trees it would be quite clear. It would mean Christmas trees, and such things.

Mr. ELDERKIN: I am not in a position to give a legal interpretation, but when you read "'farm' means land in Canada used for the purpose of farming", and "farm" includes "the growing of trees", I question whether it would ever be extended to reforestation for lumber products.

Mr. FULTON: Well, we call them tree farms.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Well, the term is now used in legislation in British Columbia.

Mr. ELDERKIN: As part of the lumber industry?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): They are known as tree farms.

Mr. ELDERKIN: You mean fruit trees?

Mr. FULTON: No, no sir. It is part of the lumber industry in British Columbia now as a result of the forest management licence system.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): They were known as forest management licences but they are now known as tree farms.

Mr. LEBOE: That is a sustained yield program.

Mr. ELDERKIN: Well, Mr. Chairman, we can have a look at this to see if this could be restricted to what the intent was, namely, only for the growing of trees for sale as such.

Mr. FULTON: Yes, that is your intent.

Mr. ADDISON: Mr. Chairman, just as a point of interest, in a period of ten years we are already three years beyond the ten year period. Is this a common banking practice in western banking circles?

Mr. ELDERKIN: What are you referring to now, Mr. Addison?

Mr. ADDISON: To the length of the Bank Act, why the ten year period?

Mr. ELDERKIN: I would have to go way back in history for this—

Mr. ADDISON: I do not want a long explanation, but is it the same as in England and Europe?

Mr. ELDERKIN: No, it is unique in Canada, Mr. Addison. In 1871, when the first Bank Act was being set up under federal jurisdiction, the question arose whether the charters should be perpetual or whether they should be limited. It was started then and the banks agree with the government at that time that they should not be perpetual but should come up for review at least once every ten years.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is not so much a matter of the charters, but the fact that this is a peg on which to hang a review of the operations of the banking system every ten years.

Mr. ELDERKIN: That is right.

The CHAIRMAN: Could you proceed, Mr. Elderkin? You have been dealing with (b) perhaps you could . . .

Mr. ELDERKIN: I think (g) and (h) have been taken. I will move over to page 3, paragraph (r). We have amended this to bring in any natural gas. This amendment makes it clear that the definition applies to all natural gases. The next amendment is (u) where we have added "...and a person who packs, freezes or dehydrates any goods...". This amendment is meant to broaden the range of security that may be taken, to include these important processes of freezing and dehydrating which have become quite important in the last few years.

I think there is nothing very important that I could mention until we get over to page 4, paragraph cc-5, where we have included, under "Securities," Mortgages and hypothecs. This is principally a matter of wording. It permits the banks to buy these in the same way that they buy securities. There is very little difference today between some debentures that are issued and mortgages that are issued, and this really is inserted here to put the two of them under the one classification.

When we get over on page 5 we have added here in line 11, sub-paragraph 4, certain necessary words; first, the British Columbia Grain Shippers Clearance Association is similar to the Lake Shippers Clearance Association. It has much the same rules; it operates separately; but we are adding their receipts as being eligible documents for loans.

Another thing being added here are transfer certificates. You now get a situation in the grain trade where the receipt is sometimes not transferred, but rather a transfer certificate is issued as part of the receipt.

If you move down to sub-section 4 on that page. . .

Mr. LAMBERT: Number 2. Here again, in effect, is the introduction of (g) . . .

Mr. ELDERKIN: That is right.

Mr. LAMBERT: . . . And its combination with (h), that agricultural products and anything grown on a farm—a farm being something undefined—now in any form or state, and any part thereof and any product or by-product thereof, is going to be subject to these later provisions.

Mr. ELDERKIN: When you say "subject", Mr. Lambert it simply means that they may use these as security.

Mr. LAMBERT: Yes; but there is also a trust imposed upon them.

Mr. ELDERKIN: No; it just simply means that they can be used as security; that is all. It makes these things eligible as security for bank loans.

Mr. LAMBERT: And they were not previously?

Mr. ELDERKIN: No; some of them were not previously.

Mr. LAMBERT: But also there is the \$5,000 following trust imposed upon them.

The CHAIRMAN: To the benefit of the primary producer.

Mr. LAMBERT: Yes; this is what I want to trace down. I want to see the clear implications of that.

Mr. ELDERKIN: I think we are only putting in a permission here. We are not putting in an obligation of any kind, we are putting in a permission that these things may be used as security for bank loans. It is up to the bank to decide whether they want to lend on these things in view of the \$5,000 trust later on.

Sub-section 4 on page 5 is new, and it is to provide for taking security on bankers' acceptance. It has become a very important money document in the market. There was a case on this in which the court held that if the bank did not actually make the disbursement that it was not a loan under Section 88, and they could not take that security. This covers the point so far as this act is concerned.

On page 6 there is really nothing new except that . . .

Mr. CLERMONT: Mr. Elderkin, when you go to another page will you mention the article, because in the translation it is not the same page?

Mr. ELDERKIN: Page 6, article 8. The Bill No. C-102, you will remember, provided for incorporation by letters patent. The government has decided in this bill that they would prefer to leave it as it is in the present act, and this section is, in effect, the same as in the present Bank Act.

Mr. LAMBERT: May I go back to Section 4? The terminology there is "each bank named in schedule A", and then there is "... an amalgamation ... and does not apply to any other bank." Why is there not a further provision, "Any bank incorporated under the terms of this act"?

Mr. ELDERKIN: Because it does not need to, Mr. Lambert. In the case of any act of incorporation schedule A is amended to include the name of the bank.

Mr. LAMBERT: I realize that; but it is left, shall we say, to the incorporating bill to hang on to this bill.

Mr. ELDERKIN: That is right.

Mr. LAMBERT: I would have thought that it would be far better for the senior legislation to say, as parliament says, that this bill shall apply to any bank that is now in existence, any one that comes into existence as the result of an amalgamation, and any bank incorporated.

Mr. ELDERKIN: You will realize that there is no change in this from the present Bank Act, nor has there been any change in this for over ten years, because The Department of Justice was of the opinion that this is amply covered by the fact of the other act immediately amending Schedule A, and this the reference to it.

Mr. LAMBERT: I know; but that means that I have to go to the incorporating act to find out whether it belongs to this, and whether there have been any exceptions to it. What I want is that this bank act shall apply to any bank.

Mr. ELDERKIN: Mr. Lambert, there is a point here also that there can be exceptions to it. We almost had one in the Bank of British Columbia. It was struck out.

Mr. LAMBERT: Yes, I know that; but...

Mr. ELDERKIN: Which would override the Bank Act.

Mr. LAMBERT: That can always be added to. It is a question of drafting, and I do not want to pursue anything, but I would have thought that, logically, it is preferable to have the senior legislation say that it shall apply, as the general act—that it shall apply to any bank.

In addition thereto, if, in the incorporating act, you want to make some additions, then that is fine.

Mr. ELDERKIN: I can only say in answer to that that Justice feels it does, and that is the way it has been done for ten or twelve years.

Mr. FULTON: There is a very big question here of another order and I would like to get your views on it.

There is a feeling that it would be desirable if we could get a definition of "banking". What is banking? Instead of saying that this act applies to all the

institutions named in the schedule you should make a definition of banking to which this act applies, and then all companies, wherever incorporated, engaged in that business, would be caught under this umbrella. I appreciate the difficulties, and I appreciate this might well involve immediate tests in the court if you tried to bring in an institution which said it did not want to get in. I wonder, though, if you can give me some of the history. I am told that there never has been incorporated into the Bank Act a definition of "banking". Is that right?

Mr. ELDERKIN: That is right. There have been several cases, of course, before Privy Council in the United Kingdom. There have been a few cases in Canada, which did not go further than the lower courts. There is a very interesting judgment which has just been made by Judge Primrose, under date of October 14th in Alberta, which states that the treasury branches are carrying on the business of banking, but that they are not *ultra vires* because in no place in federal legislation is there a prohibition from carrying on the business of banking. There is a prohibition in the Bank Act from using the word "banking," or "banker," in any title, or advertisement, but there is no prohibition which specifically states that no one can carry on the business of banking. As I read the judgment—and I do not want to interpret legal language—this seems to be the gist of this judgment.

Incidentally, I understand that it is going to be taken right through to the supreme court, if necessary. It is going to be a very interesting case.

Mr. FULTON: I am sure it is a politically delicate case, too.

There is an important distinction between criticizing government policy and saying what government policy is, and I am not asking you to criticize it, but I would like to know what is the general feeling in the banking business in so far as you are in contact with it? Do they think it is practical—it is practical and desirable—perhaps I should put it the other way—desirable and, even if desirable, practical, to try to get a definition of "banking" so that you would catch under the Bank Act all those institutions which it would be fairly desirable to regulate from the federal point of view? You know the extent of the conflict of thought that there is here in the matter of getting under your control and inspection certain institutions which are now not under control. What is the thinking in the field?

Mr. ELDERKIN: I think you are getting me very close to policy matters, are you not, Mr. Fulton, at this stage, since the government has not taken any action on this. All I can say at the time, I think, is that there are many legal definitions of certain acts as being banking. There is no legislation any where in the world, which I have been able to discover, which defines the business of banking. There are several privy council cases which state that a particular act is within the business of banking, but that is not restrictive; it is really permissive, as far as that is concerned.

If it were considered desirable to test this, presumably—if I read the Primrose case correctly—one could put legislation, or a provision, in the Bank Act at section 157 where it refers to the prohibitions, to the effect that no person could carry on the business of banking. Then you would have your test cases. If such a prohibition were in, I would suggest that in the case which I quoted a minute ago, where the judgment was that the treasury branches of the province of Alberta were carrying on the business of banking, they would be

ultra vires. There is no such prohibition in the legislation in Canada today, and there is no prohibition in any legislation that I have ever been able to find.

Mr. FULTON: Let us suppose you said, in section 4, under application of the act: "This act applies to every institution, company and corporation in Canada who carries on the business of banking." What happens then?

Mr. ELDERKIN: I presume you would have a few hundred test cases, including the Caisse Populaire and the Credit Unions.

The CHAIRMAN: Mr. Elderkin, after Mr. Lambert, Mr. Cameron indicated that he wanted to ask you questions. Are you finished Mr. Fulton.

Mr. FULTON: No, I have one final question. Perhaps my point of view would be clarified by Mr. Cameron's question.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): My question applies to the questions which Mr. Fulton has been raising. There is at another place in the act—in this bill before us—provision for deposit insurance.

Mr. ELDERKIN: No, Mr. Cameron; nothing in this bill refers to deposit insurance.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Oh, I thought there was.

Mr. ELDERKIN: No, it would be separate legislation.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It would be separate legislation. The reason I was asking this was if this act excluded from application any other bank then how would you bring the new banks within the provisions of the deposit insurance. It occurred to me that—and I have been under the impression—it had actually been included in the Bank Act—

Mr. ELDERKIN: No; the Minister announced that he was going to bring in legislation on deposit insurance.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I understood it was going to be included in the Bank Act.

Mr. ELDERKIN: No; it would be entirely separate.

The CHAIRMAN: Mr. Cameron, would you mind holding the microphone closer to you?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Because if it were, it would by implication give a definition of banking, because it would be excluding certain institutions from the provisions of that deposit insurance because they were not banks.

Mr. ELDERKIN: No, not necessarily, Mr. Cameron, because you could insure an institution even if it was not a bank. You could insure it because it was a deposit-taking institution.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes; you could, under the separate legislation.

Mr. ELDERKIN: It would be included in separate legislation.

Mr. FULTON: Probably my questions should be asked of the Minister rather than of Mr. Elderkin. I am getting very close to the point where I want him to comment on what is policy by omission.

The CHAIRMAN: I should interject at this point. It is contemplated that we will summon the Minister before us at a later stage once we have this basic information on which to build our questioning and considerations.

Mr. FULTON: I would like to ask Mr. Elderkin this question: From the point of view of practical experience, obviously to put in a definition, or put in a provision that this act applies to all institutions engaged in the business of banking in Canada, might cast the net very wide. We have a lot of businesses, a lot of firms engaged in business which is very close to banking now but which are not under the Bank Act.

From the point of view of the practicality of the thing, what would be your comment? Obviously, you might require greater staff but is it sensible to contemplate this kind of control over that kind of institution?

Mr. ELDERKIN: Mr. Fulton, this is all a matter of volume of work. No matter how many different institutions were subject to the inspection of my office we can handle it with the necessary staff, if that is the point you are making.

My own opinion, for what it is worth, is that if you want to define the business of banking that it really would take a rather extended definition, and one, which, perhaps, in the long run, one would want to have tested in the supreme court before you tried to enforce it.

Mr. LAMBERT: May I interject here. The constitution says that the government of Canada has an exclusive jurisdiction over money and banking.

Any next observation is, then, what prevents the government of Canada—the Parliament of Canada—defining “banking” in its act? Because if this is to be challenged, it must be challenged by another legislative authority which has constitutional jurisdiction over that aspect of it. I somehow fail to see why, as a matter of constitutional law, there is any prohibition of a definition of “banking”, be it wide, be it narrow—that any of the many facets of banking could not be described in such a definition.

Somebody has to assert a contrary right to jurisdiction. At the present time I suggest to you that we have some sort of general impression of the business of banking as carried on by the chartered banks of Canada and that, in the minds of all concerned, is the business of banking; whereas, in essence, it goes much beyond that, and its integral parts are also parts of banking, these parts being carried by special institutions.

Mr. ELDERKIN: Perhaps I could just add one point, Mr. Lambert. As I think most members of the Committee are aware practically every operation that a chartered bank carries out today is carried out by some other institution.

Mr. LAMBERT: Well, for that reason, then it is money and banking under the constitution.

Mr. ELDERKIN: No, not necessarily. For instance, the taking of deposits is nothing more than borrowing money from the public. The making of a loan is something that you could do or I could do, if we had the money to do it.

Mr. LAMBERT: Then it is conceivable that somewhere along the line when you package this together it becomes banking.

Mr. ELDERKIN: That is right. I think it is the package. I would agree with you that the only definition you could get would have to be a package.

Mr. LAMBERT: Very well, then, is there anything wrong in defining that package?

Mr. ELDERKIN: No. Again, I think you are getting me into a position where you should be talking to the minister.

Mr. LAMBERT: No, no, from an administrative or from the legal point of view.

Mr. ELDERKIN: No, from an administrative point of view. I cannot speak on the legal point of view. I am only speaking on the administrative point of view. I already answered Mr. Fulton; it is just a matter of work and we can do the work.

Mr. LEBOE: Mr. Chairman, a supplementary on this point; is it not that banks working under the reserve system do banking, and other institutions do banking but are not under the reserve system.

Mr. ELDERKIN: Yes; but I think, Mr. Leboe, following what Mr. Lambert said, if you want a definition of banking you could say that they would have to be under a reserve system. All of these things you could spell out in long, long definitions and legal language but I am not in a position to give you it in legal terms.

The CHAIRMAN: Before recognizing Mr. Gregoire, I would just like to make the comment that it seems to me, Mr. Lambert, that the constitutional question could be raised not only by another legislative authority but would come up in any case between private individuals, which would touch on the issue of banking.

Mr. FULTON: As Mr. Elderkin said, suppose we said that this act applied to all those engaged in the business of banking then you went to institution X and said, "you have to submit your accounts and subject yourself to inspection." They could challenge that and say, "we are not engaged in the business of banking." Then the court would have to interpret what banking meant.

The CHAIRMAN: I just mention that to indicate that the issue could come up in a wider ambit than merely the conflict between legislative authorities.

Mr. LAMBERT: Yes, granted, but with a definition of banking there would have to be inserted a contrary jurisdiction.

The CHAIRMAN: Oh, yes; you are quite right there.

Mr. GRÉGOIRE: Mr. Elderkin, can we say that the difference between the general banking operation and the banking operation of the chartered banks under this one act is that there are the special guarantees offered by the federal government to the chartered banks?

Mr. ELDERKIN: There are no guarantees offered by the federal government to chartered banks, Mr. Grégoire.

Mr. GRÉGOIRE: For exemple, guarantees of supplying, in case of crisis, to one chartered bank in particular legal tender when necessary.

Mr. ELDERKIN: There is no such guarantee, Mr. Grégoire. The legal tender is now within the power of the Bank of Canada, not the government.

Mr. GRÉGOIRE: Yes. I mean from the Bank of Canada.

Mr. ELDERKIN: There is no guarantee for the Bank of Canada either.

Mr. GRÉGOIRE: Could we say that the privileges of recognition of the possibility to lend over—may I put it in French?

(Translation)

The CHAIRMAN: Certainly, we have simultaneous interpretation.

Mr. GRÉGOIRE: Can we say that the difference between banking operations under this chartered Bank Act and banking operations operated by other banking institutions which are not chartered banks, can we say that the difference between the two are special privileges granted by the federal government to chartered banks which are not granted to other banking institutions?

(English)

Mr. ELDERKIN: Some special privileges under the legislation such as that of taking some security, some special inhibitions, if you will, such as requiring cash reserves with the Bank of Canada.

(Translation)

Mr. GRÉGOIRE: The fact that chartered banks for instance are the only institutions which can obtain cash reserves from the Bank of Canada, this would be one of the great differences which distinguish them from banking institutions?

(English)

Mr. ELDERKIN: I think perhaps you had better direct that question to the Governor of the Bank of Canada when he comes. There are other institutions which may deal with the Bank of Canada: recognized security dealers, et cetera who may deal with the Bank of Canada, not only the chartered banks.

The CHAIRMAN: They do not have reserves.

Mr. ELDERKIN: No. They have to deposit securities.

(Translation)

Mr. GRÉGOIRE: But they cannot obtain reserves directly from the Bank of Canada without going to a chartered bank though, trust institutions and so on?

(English)

Mr. LAMBERT: Mr. Chairman, there is a misconception here. No chartered bank may procure reserves from the Bank of Canada.

(Translation)

Mr. LAMBERT: A chartered bank must deposit a certain proportion.

Mr. GRÉGOIRE: I am talking about legal tender according to the definition of terms in 1939 this power of legal tender in the Bank of Canada, the quasi banks, new banks do not have it.

Mr. LAMBERT: The chartered banks do not have the right to issue money.

Mr. GRÉGOIRE: I am not saying that either. But the legal tender of Canada . . . to obtain it from the Bank of Canada.

(English)

Mr. ELDERKIN: Mr. Grégoire, any receipt of legal tender by the chartered banks, they have to pay for it.

Mr. GRÉGOIRE: Yes, I know.

(Translation)

But they are the only institutions that can obtain it.

(English)

Mr. ELDERKIN: Yes, but other institutions can obtain it in the same way from the chartered banks.

(Translation)

Mr. GRÉGOIRE: Yes, but any banks will depend on the chartered banks, whereas the chartered banks will be the only institution which can obtain directly from the Bank of Canada the reserves of legal tender.

Mr. ELDERKIN: They are not reserves of legal tender; they are straight issues of legal tender for which the bank have to pay.

(Translation)

Mr. GRÉGOIRE: Yes, but I am not speaking of bank reserves, I am speaking of legal money, legal tender.

(English)

Mr. ELDERKIN: I think perhaps, Mr. Grégoire, you are better to direct this question to the Governor of the Bank of Canada when you have him on the stand. The chartered banks so far as they are concerned can obtain legal tender only by paying for it.

(Translation)

Mr. GRÉGOIRE: Yes, I admit that they have to pay but what I want to know is are they the only banking institutions which can obtain legal tender from the Bank of Canada?

(English)

Mr. ELDERKIN: As far as I know, but I would not want to answer the question dogmatically. As far as I know, they are. It is not a great advantage to them. They have to pay for it just the same.

Mr. LEBOE: May I ask a supplementary here? I think that when a bank buys legal tender from the Bank of Canada, that certain amount becomes a deposit with the Bank of Canada on the reserve system, does it not?

Mr. ELDERKIN: Not necessarily at all. It may draw down legal tender, Mr. Leboe, without adding it to the reserve at all.

Mr. LEBOE: They can buy this legal tender from the Bank of Canada and it is counted in their reserve system, according to the testimony of Graham Towers is it not?

Mr. ELDERKIN: As long as they hold on to it, yes. It is part of their cash reserves.

The CHAIRMAN: I think, Mr. Leboe, that we are straying a bit over into the territory of the other act. I realize that starting with the Bank Act rather than

the Bank of Canada Act does create certain difficulties. We decided to do this so as to move as expeditiously as possible, and I realize the difficulties.

(Translation)

Mr. GRÉGOIRE: But to make a distinction as asked for by Mr. Fulton between the banking institutions referred to in Bill C-222 and the other banking institutions, I think this is one of the main distinctions which can exist between the two types of banking institutions, that is chartered banks first of all, as considered in Bill C-222, and the other banking institutions.

The CHAIRMAN: I think that in this sense you have seen the point that chartered banks have certain rights or certain prohibitions which are not the same as those of other institutions, which are carrying on banking operations, that is your point.

(English)

Well, perhaps we can continue.

Mr. ELDERKIN: In clause 9 there is an addition which permits the Bank to add to its capital shares issued in \$1 or any multiple thereof, not exceeding \$10. You will realize that until this bill is passed, under the present act, the par value of all bank shares has been \$10.

Mr. CLERMONT: Never under \$10 before?

Mr. ELDERKIN: I beg your pardon?

Mr. CLERMONT: They were never before under \$10?

Mr. ELDERKIN: At one time it was \$100 per share. I think the change was made in 1934, if I remember correctly, from \$100 to \$10.

Mr. LAMBERT: Mr. Elderkin, I presume this is in order to facilitate the banks to spread around the ownership of their shares. Even now with the \$10 value on them, we are getting quotations of \$60, \$70 and \$80, making the distribution of shares rather more restricted.

Mr. ELDERKIN: Yes. When the par value was reduced from \$100 per share to \$10 per share, this did result in that very thing taking place. There was quite a substantially larger spread in distribution. It is hoped that if the banks wish to do this it will have the same effect.

On clause 10, subsection (4), you will notice that it now requires that at least three quarters of the provisional directors should be Canadian citizens. This was formerly one half, a majority.

Mr. LAMBERT: I believe they had to be British subjects, did they not?

Mr. ELDERKIN: Yes, British subjects, Canadian citizens. It now reads the same as the Bank of Canada Act.

(Translation)

Mr. GRÉGOIRE: Under section 4, in number or in number and value both? Under section 4 does that mean three quarters of the directors in number only or in number and value? Must this amount also be in Canadian value?

(English)

Mr. ELDERKIN: At least three quarters, in number, of the directors must be Canadian citizens.

Mr. GRÉGOIRE: In values.

Mr. ELDERKIN: When you say "in values", do you mean shareholdings?

The CHAIRMAN: Representing them.

Mr. LAMBERT: One individual.

Mr. ELDERKIN: Three quarters of the individuals must be Canadian citizens.

(Translation)

Mr. GRÉGOIRE: The three quarters of the directors must be Canadian citizens. Must they have three-quarters of the shares too, or can they be three-quarters in number and have only 40 per cent of the value.

(English)

Mr. ELDERKIN: Mr. Grégoire, a director has only one vote on the board of directors. It does not make any difference whether he holds ten shares or 100 shares or whether he holds 1,000.

Mr. LAMBERT: This has to do with incorporating directors, does it not?

Mr. ELDERKIN: The same thing will carry over, anyway.

Mr. FULTON: It is my recollection that the policy has been announced and the policy will be that no government can directly or indirectly own shares in a bank. I have looked through this quickly and I fail to find where it is incorporated in the new act. If it is, could you point it out to us when we get there?

Mr. ELDERKIN: Yes, I will. It is in clauses 52 to 57.

In clause 11, subsection (3), there is a minor amendment which you have in front of you at the present time. It is simply so the language would conform with other sections in the act.

(Translation)

The CHAIRMAN: Yes, Mr. Grégoire.

Mr. GRÉGOIRE: Mr. Chairman, under section 11, subsection 3, the post office address has to be given, it is mentioned. What difference is there between postal address and residence?

(English)

Mr. ELDERKIN: It is not necessarily his residence. He could give a post office box if he wished to do so. It is the post office address he gives for his mail, really. It is where he gets all his notices.

On clause 12, again there is a small amendment and as you will notice in the list of amendments which I have given to you this is, again, an editorial change to conform with other sections of the act.

(Translation)

Mr. CLERMONT: For the first meeting of subscribers there would have to be an amount of one million subscribed. Has this minimum existed for a long time?

(English)

Mr. ELDERKIN: No; in 1954, there was an amendment, Mr. Clermont. It used to be \$500,000 subscribed and \$250,000 paid up. In 1954, it was amended to read \$1 million subscribed and \$500,000 paid up.

(Translation)

Mr. CLERMONT: Now, Mr. Elderkin, last week, for instance, we had an application for a bank with authorized capital of 100 million dollars. Is that sufficient, is one million sufficient? Because last week every time we asked questions of these gentlemen, they replied: "we are going to hold our first meeting when we have a million."

(English)

Mr. ELDERKIN: This is a question, Mr. Clermont, that has been discussed on many occasions. I think the real object in setting this at a fairly low figure was to permit the formation of small banks, if they were properly organized. Barclays Bank (Canada), I think, when it was first organized had a capital of only \$1 million or maybe \$2 million.

(Translation)

Mr. CLERMONT: Yes, but it was an agency of an English bank.

(English)

Mr. ELDERKIN: This is perfectly true; when you say it is an agency of an English bank, it was still incorporated under the Bank Act, and acted as such. Some of its business was agency business but it did a general banking business.

The committee in 1954 did not see fit to set a high figure on this because it would have looked as if we were just trying to block out any small bank getting started.

(Translation)

Mr. CLERMONT: Yes, but again last week, we heard of a request for authorized capital of 100 million dollars. That is not a small bank.

(English)

Mr. ELDERKIN: No, it is not a small one; if they get the \$100 million.

(Translation)

Mr. CLERMONT: One of the provisional directors claimed that he could have between 25 and 50 million subscribed. That is still a big bank, when you consider that the Bank of Montreal, after over 100 years of operation, only have paid up capital of 60 million, I think.

(English)

Mr. ELDERKIN: In subclause (3) of clause 12, we are suggesting an amendment which you have in front of you. First, there is a change which is already in here, which has to do with the voting at the first meeting of subscribers. It used to be a vote for each \$10 paid up. Of course, if you had a bank incorporated with different par value, it was necessary just to change the terminology. There is really no change in meaning in this; the change is to take care of cases where the par value is other than \$10.

There is also an amendment to subclause (3), and the purpose of the amendment is to permit the subscribers at the first annual meeting to appoint auditors at that time because if auditors are not appointed at that time and the bank is not permitted to appoint auditors at that time, they can have nobody to act until the first meeting of shareholders later on and this could create an awkward situation. As a matter of fact, the Bank of Western Canada is about to

call a special general meeting just for the purpose of appointing auditors. Now, this is something that, perhaps, we should have had in the act 20 years ago but it was just overlooked because there were so few incorporations.

You will find in clause 13 and in many other clauses that the powers formerly given to the Treasury Board have now been allocated to the governor in council. The Treasury Board is now acting or wanting to act on matters entirely of supervising expenditure of the government. The only reason that the Treasury Board was given the powers that are in the Bank Act now and in many other pieces of legislation was that there was no other official cabinet committee to deal with it. It is the only really official cabinet committee.

What we have done here throughout the act, at the request of the Treasury Board is that we changed the powers for the most part to the governor in council. You will find this change occurs quite often throughout the act.

(Translation)

Mr. CLERMONT: Under section 13, sub-section 5, does this mean that if Parliament approves a bank charter for 100 million dollars in authorized capital and when the Governor in Council gives his approval there is only 15 millions subscribed?

(English)

Mr. ELDERKIN: That is right, Mr. Clermont. I was about to come to this. This provides that they must apply for a certificate to commence business; but if they have not obtained subscribed capital of at least half as much, as the authorized capital, the latter is reduced accordingly. For instance, if you wish to take the latest case, if this act were in effect when the Bank of British Columbia applied for a certificate to do business, and they did not have \$50 million in subscribed capital, the Treasury Board or the governor in council, I should say, would have the power and would be required to reduce their authorized capital. The reason for it ties in with later provisions in the act. It is really ancillary to Section 75 2(g). Its purpose is to prevent a new bank starting with an authorized capital out of proportion to the amount of subscriptions that it has been able to obtain and through the powers of the governor in council, to have some control over future issues.

In Bill No. C-102, this was set at one quarter; it is now set at one-half for better control. The reason is simply that we have some other parts in the act which relate to the authorized capital of the bank and if you gave a new bank an authorized capital which was out of all proportion to the amount of money they could raise, the provisions would be ineffective.

Mr. FULTON: There is an anomaly here, Mr. Elderkin, because 13 starts off by saying, "The bank shall not commence the business of banking until it obtains the approval of the governor in council there to". But nowhere is the business of banking defined. You are asking the governor in council to give authorization to the bank to do something it does not—

Mr. ELDERKIN: I think you will find Mr. Fulton, if I remember rightly in clause 75, line 25, the banks may "engage in and carry on such business generally as appertains to the business of banking."

Mr. FULTON: Yes, but once again, what is the business of banking? Now you are involving the governor in council in giving authorization to do something

which is not defined and which apparently no one is prepared to undertake to define.

The CHAIRMAN: Perhaps the governor in council wishes to encourage the legal profession to remain active.

Mr. LAMBERT: Mr. Chairman, this is precisely the point, I thank Mr. Elderkin for pointing this out but immediately the Government of Canada and the act has inferentially defined what it means by banking and yet it refuses to put it into the definition clause.

Mr. ELDERKIN: There again, Mr. Lambert, I do not want to get into a legal discussion but this is a clause that has been in the act just as long as I can remember.

Mr. LAMBERT: Yes, but mortal sin has been in existence for a long time and it is still frowned on.

Mr. ELDERKIN: Mr. Chairman, there are some changes in clause 15 but they are really consequential on the—

Mr. FULTON: Seriously, Mr. Elderkin, would it not be—I think later with the minister we must have some further discussion about the definition of banking. Unless and until that is done, would it not be better, more consistent, more honest to say in clause 13, the bank shall not commence business until it has obtained the approval of the governor in council?

Mr. LAMBERT: I have the same idea and I was thinking the same thing.

Mr. ELDERKIN: We can certainly discuss this with the Department of Justice, Mr. Fulton, and see whether this would be desirable.

Mr. FULTON: Or, alternately, they shall not commence the business contemplated in section so and so until it has been approved.

Mr. ELDERKIN: This all ties back really to clause six which says, "if parliament sits on at least twenty days during the month of June 1976, the bank may carry on the business of banking—"

Mr. LAMBERT: Here again, what is the business of banking? What is authorized under this act.

Mr. ELDERKIN: What is authorized under this act, yes.

The CHAIRMAN: Dr. Ollivier, could you tell us whether or not the term business of banking has been tested in the courts?

Mr. P. M. OLLIVIER (*Law Clerk and Parliamentary Counsel*): No, I do not think so.

The CHAIRMAN: Could you look into that and report back?

Mr. OLLIVIER: I do not think it has.

Mr. ELDERKIN: No, I do not think it has.

Mr. LAMBERT: In further explanation of Clause 13, may I ask about 13 (5) just so that I have it absolutely clear in my mind?

Bank X applies for and obtains a charter with an authorized capital of \$50 million. Its organizers are able to get a subscription for only \$12 million. I take

it that before they get their certificate the governor in council has the power, in fact the obligation, of reducing their authorized capital to \$24 million?

Mr. ELDERKIN: That is correct.

Again, on clause 15, the amendments are entirely consequential on the possibility of a change in par value. When we get over to clause 17, which is the next one, it has two rather—

Mr. LAMBERT: May I draw to your attention those words in clause 14, "no approval permitting the banks to commence business—", It does not say the business of banking.

Mr. ELDERKIN: That is right.

Mr. LAMBERT: Therefore, I suggest to you that 14 is what is really intended. Thirteen is just a little bit too free flowing.

Mr. ELDERKIN: That seems to be a very good point. I will certainly discuss it with the draftsman.

Mr. FULTON: I think you will have to work out a definition of the business of banking.

Mr. ELDERKIN: If we move to Clause 17, the first two paragraphs (a) and (b) are new.

Mr. CLERMONT: On (a), will this change the application of the British Columbia bank where they say the head office should be always in Vancouver, if this is approved by parliament?

Mr. ELDERKIN: That is struck out, Mr. Clermont, you will remember.

Mr. CLERMONT: Not for the headquarters. The headquarters was not struck out.

Mr. ELDERKIN: This will override that part. This gives the shareholders, if they wish, the opportunity of moving head office, as you see.

The CHAIRMAN: If I may interject, what is the purpose of giving them this wider authority? What end does it serve?

Mr. ELDERKIN: The time might come, for instance,—and I do not think that there is anything like this in mind at the present time, but one could quote the Bank of Nova Scotia which has its head office in Halifax, Nova Scotia but has its administrative office in Toronto. It has no power, at the present time, to move its head office to Toronto. I am not suggesting for one moment that it wants to do so, but it is a fact that it could be done by the shareholders after this.

Mr. FULTON: As I understand it, the present charter of the British Columbia bank presently says the head office shall be in Vancouver.

Mr. ELDERKIN: That is right. And it shall remain in Vancouver.

Mr. FULTON: Yes. That will be incorporated, if it goes through, in an act of parliament. It will be part of the terms of an act of parliament. Do I understand you to say that notwithstanding that, if Clause 17 goes through in its present form, we are giving the shareholders of that particular bank power to amend an act of parliament without coming back to parliament.

Mr. ELDERKIN: The Act of Parliament is amended, Mr. Fulton, by clause 5. The charter of the bank is wiped out as soon as it becomes part of Schedule A, like every other charter of every bank.

Mr. FULTON: That would be historic, would it?

Mr. ELDERKIN: That is historic, yes. Like every one of the chartered banks today, this is their only charter. So anything that is in another charter, unless it specifically states—

Mr. FULTON: Notwithstanding the Bank Act?

Mr. ELDERKIN: —notwithstanding the bank act, becomes wiped out. In the Bank of British Columbia bill they did have one clause which said, notwithstanding the Bank Act, that a majority of the directors and other executive officers should always reside in the province of British Columbia.

Mr. FULTON: But this was wiped out?

Mr. ELDERKIN: This was wiped out but if it had not been wiped out at that time it would have remained.

Mr. ADDISON: Mr. Chairman, on that point—. One of their pertinent points of one of the provisional directors of the Bank of British Columbia was they felt slighted that a head office of a major Canadian bank was not on the west coast. Through this section we are allowing the further centralization of banking in Canada with parliament's approval.

Mr. ELDERKIN: If the shareholders approve or desire this.

Mr. ADDISON: But now Parliament must approve the change of the head office, as I understand it.

Mr. ELDERKIN: No. This will give the shareholders the power to change the head office.

Mr. ADDISON: But who has the power now?

Mr. ELDERKIN: There never has been any power to change a head office before this bill.

Mr. LAMBERT: It would have to be a special act.

Mr. ELDERKIN: It would have to be Parliament.

Mr. ADDISON: But parliament had the control of where the head offices of banking in Canada were located.

Mr. ELDERKIN: That is right.

Mr. ADDISON: Now in this section we are allowing further centralization of banking.

Mr. LAMBERT: Or decentralization.

Mr. ADDISON: Or decentralization.

Mr. ELDERKIN: Or decentralization, as a matter of fact. You are allowing this to become a matter of—

Mr. ADDISON: Or controversy.

Mr. ELDERKIN: Well, this would depend on where the shareholders were.

The CHAIRMAN: Order, please.

Mr. ELDERKIN: Paragraph (b) of that clause simply brings into force the power of the shareholders to subdivide or consolidate the shares again in par values of \$1 or any multiple thereof not exceeding \$10.

As you will see in clause 18(3), we have the same provision with respect to the permanent directors as we had with respect to the provisional directors, namely, at least three-quarters have to be Canadian citizens.

The CHAIRMAN: Mr. Clermont?

(Translation)

Mr. CLERMONT: Mr. Elderkin, the minimum for a director is \$3,000 out of capital of \$5,000, then \$4,000 and \$5,000. How long have these been in force?

(English)

Mr. ELDERKIN: All I can tell you is they have been there since 1944, I cannot tell you how far back they were.

(Translation)

Mr. CLERMONT: Once again I will ask the same question I asked relative to subscribed capital. Is that sufficient considering the amount that the banks are operating with in 1966, when you see that the Royal Bank has deposits of nearly 6 billion dollars?

(English)

Mr. ELDERKIN: You mean sufficient for the directors to hold?

Mr. CLERMONT: Yes.

Mr. ELDERKIN: The reason behind this, Mr. Clermont, I think, was well explained in 1954 on a similar question, if I recall correctly, namely that they did not wish to make it too expensive for a person to become a director; in other words that the banks would attract people as directors who maybe were not wealthy and they would not need to put up a substantial quantity of money to do so.

(Translation)

Mr. CLERMONT: Do you consider that an amount of \$5,000 in bank shares, make him a rich man?

(English)

Mr. ELDERKIN: Well, it depends on what the price is, you see. If today you required a new director to qualify on bank shares that were selling at \$70 per share on the market it would be a very expensive operation.

(Translation)

Mr. CLERMONT: Yes, but you do not mention the number of shares, you mention a \$5,000 capital.

(English)

Mr. ELDERKIN: You mean the par value?

Mr. CLERMONT: Par value.

Mr. ELDERKIN: Par value at \$5,000. Well, the market is now six or seven times par value in many cases. It amounts to quite a substantial investment on a basis of that kind.

In clause 5 there is one amendment in paragraph (b), that no person can be a director of more than one bank. This was always understood; in fact, I think it is in the bylaws of every bank. It was not spelled out in legislation before and it has been put in.

Mr. ADDISON: Mr. Chairman, if an amendment was to be moved to include, if he is a director of a crown corporation, would this be the section under which it would come in.

Mr. ELDERKIN: Yes, if we are going to refer to directors this is where we would have the amendment. The amendment which was moved in committee to do with the Bank of British Columbia was rather the other way around. In fact, it said, I think, no executive officer of the bank shall be a director, employee or officer of any government or agency thereof. You see it is rather the other way around. If we are putting a prohibition in the Bank Act I think we will have to start out—if you want it to apply to directors—that, no director may be an officer of a government agency, or words to that effect. But this does not bar directors, just executive officers.

Mr. ADDISON: It bars executive officers of a crown corporation?

Mr. ELDERKIN: No, this is no executive officer of a bank, and may I say I do not know what the definition of an executive officer of a bank is.

The CHAIRMAN: In any event may I say I think Mr. Addison's point is well taken; that is to say, if a member of the committee wished to offer an amendment covering that problem, if it is a problem, then this would be the clause under which to offer it.

Mr. ELDERKIN: If they wish to offer an amendment on the directors this is where it should be offered. If they wish to offer an amendment on staff it would be under another section, which I will point out when we come to it.

Mr. LAMBERT: This is the effect of subsection 4 and I am sure that this is one that has been in existence for some time. It is in the event the directors or any person having been appointed a director does not qualify with subsection 3 only. This is a new subsection, I take it.

Mr. ELDERKIN: No.

Mr. LAMBERT: Yes but the only thing is that subsection 3 is new.

Mr. ELDERKIN: No, it was "a majority" before.

Mr. LAMBERT: Of Canadian citizens?

Mr. ELDERKIN: No, of British subjects.

Mr. LAMBERT: Oh well, this is a horse of a different colour. You say it is void.

Mr. ELDERKIN: That is right.

Mr. LAMBERT: That means that any act taken by the board of directors on which that particular person had voided would be void *ab initio*?

Mr. ELDERKIN: No, I think not Mr. Lambert. I think that it is only a question of his election being void.

Mr. LAMBERT: Surely it would follow that any action taken by the board or any vote that he had taken part in would be void too.

Mr. ELDERKIN: No, Mr. Lambert, apparently not. It is only that his election is void.

Mr. LAMBERT: His election is void and any action taken by him is what, voidable?

Mr. ELDERKIN: Not if there is a majority of the board without him.

Mr. LAMBERT: I agree there but let us assume that the case is where his vote makes a majority of one.

Mr. ELDERKIN: In the first place, from the time he was elected he has no vote, and that vote is absolutely null, so far as he is concerned.

Mr. LAMBERT: Yes, but he attends the meetings and on the basis of the discussions and so forth there is a vote, in which there is a majority of one, of which he is a member of the majority. This reduces it to a tie vote, and this is why I ask, is it voidable or is it void?

Mr. ELDERKIN: He has voted illegally, and you can go from there. I would assume then that it would become a tie vote under those circumstances. Since the chairman has a casting vote, the vote can go whichever way the chairman wants it to go.

Mr. LAMBERT: Unless it would be voidable in that it would have to be reviewed, because the chairman has not exercised his right to vote. Perhaps we could get a clarification on this point. I would be interested in knowing what the legal determination of this has been.

The CHAIRMAN: Mr. Grégoire.

Mr. GRÉGOIRE: Do I understand that "Canadian citizen" does not include any longer British subjects.

Mr. OLLIVIER: A Canadian citizen is a British subject, but not all British subjects are Canadian citizens.

Mr. GRÉGOIRE: It is not reversible then.

Mr. OLLIVIER: No.

Mr. GRÉGOIRE: So does "Canadian citizen" include all British subjects?

Mr. OLLIVIER: Oh, no.

The CHAIRMAN: I think, as these legal questions come up, I am going to ask that either Dr. Ollivier look into them or we will ask someone from Justice to attend. Perhaps in consultation with Dr. Ollivier we could have a report on these points. We value your comments, Dr. Ollivier, in any event, but I think we should stand these questions and have a report on them in due course.

Mr. LAMBERT: Is Mr. Elderkin aware of situations where the same person is a director of two chartered banks?

Mr. ELDERKIN: No, there is no such situation at the present time.

Mr. LAMBERT: Has it ever existed to your knowledge?

Mr. ELDERKIN: No, not to my knowledge. As I said a few moments ago, Mr. Lambert, the bylaws of practically every bank state that no director can be a director of another bank. It is simply put in here to tie the thing up legally.

The CHAIRMAN: I presume there have been interlocking directors in respect of trust companies?

Mr. ELDERKIN: Yes, we are coming to that in subsection 6 later on. This will prohibit bank directors from being directors of trust and loan companies, namely after the interest ceiling on the loan rate is removed. They have put a measurement in this provision and, after that, the directors will have to make their choice as to whether they wish to remain as directors of trust and loan companies or as directors of a bank.

Mr. FULTON: Mr. Elderkin, is this not rather like penalizing the trust companies?

Mr. ELDERKIN: They think so. I have heard that they do. I suppose in some cases a director would, if he had to make his choice, go to a bank. On the other hand, in the Trust Companies Act and in the Loan Companies Act, there is no limit on age.

Mr. FULTON: These companies and any good company are going to be in the business of attracting the most able men it can to its board of directors. Surely then, anyone who can serve only on one board is going to have to make a choice and, it is a fair assumption, is it not, since the banks are generally in a bigger line of business than trust companies, he will choose the bank?

Mr. ELDERKIN: I think this is quite possible, Mr. Fulton. I would not argue the point at all, and I know the trust companies feel they will lose some very valuable directors.

Mr. FULTON: Why then do you not put a limitation on the number or proportion of the board who can be directors of two companies. Why eliminate them altogether?

Mr. ELDERKIN: I might say that this is a bit watered down from some of the recommendations the Minister received, namely that they could not be on any Canadian corporation.

Mr. FULTON: Well, I am sure it was considered but I do not suppose that recommendation would be like to come about.

Mr. ELDERKIN: I think this is a matter of policy and I do not think I can express an opinion.

Mr. LAMBERT: But it is conceivable that this would not take effect for, say, 10 years?

Mr. ELDERKIN: Well, we hope it—

Mr. LAMBERT: But I say it is conceivable in that subsections 2 to 8 of section 91 would not be proclaimed as being longer in effect, say, 8 years from now.

Mr. ELDERKIN: It is conceivable.

Mr. LAMBERT: Then there is a two year period following?

Mr. FULTON: At the present time, Mr. Elderkin, is there any restriction in the present legislation, either on the one side or the other—banks or trust companies—as to service on the two boards? Is there any restriction in existing legislation on the ability or eligibility of directors to serve on more than one board?

Mr. ELDERKIN: No. We have a great number of bank directors who are also directors of trust or loan companies.

Mr. FULTON: Do you know whether in any such case the majority of the directors, whether of a bank or trust company, are also directors of a trust company or bank, as the case may be?

Mr. ELDERKIN: I know we have trust companies that have as many as 15 or 16 bank directors on their directorate.

Mr. FULTON: As many as that. This would be getting on toward a majority, would it not?

Mr. ELDERKIN: Frankly, I could not tell you that because I do not know how many directors that particular trust company has.

The CHAIRMAN: Could this information be put together in your office?

Mr. ELDERKIN: We can put it together if you wish. As a matter of fact, in 1954, at the request of the committee we did table a statement of bank directors who were directors of trust, loan and insurance companies.

The CHAIRMAN: Perhaps it would be useful to the Committee if we could have this information available to us.

Mr. Elderkin, were you about to say something about subclause 7?

Mr. ELDERKIN: Subclause 7 is for the purpose of limiting the number of directors of a corporation who may become directors of any one bank. This follows clause 6. After the specified date where a corporation has not more than five directors, one is eligible; more than five but not more than 10, two are eligible, and with more than 10 but not more than 15 directors, three are eligible. The Royal Commission on Banking and Finance recommended that 20 per cent should be the maximum. The 20 per cent would be unfair in the case of some very small corporations which might have only three directors and, therefore, the provision here is to take care of that on a pro rata basis, depending on the number of directors which the corporation might have. Again, this really follows, with the exceptions I made, the recommendations of the Royal Commission on Banking and Finance.

Mr. LAMBERT: Would you explain just precisely what is the aim of this subclause?

Mr. ELDERKIN: That the bank directorate would not be overloaded with directors from any one corporation.

Mr. LAMBERT: From any one particular corporation?

Mr. ELDERKIN: That is right.

Mr. FULTON: Mr. Chairman, I wish to go back to subclause 6 for a moment. Subclause 6, subparagraphs (a) and (b) refer to certain types of companies.

Could you tell me whether Roy-Nat and Kinross corporations respectively would be covered by subclauses (a) and (b)?

Mr. ELDERKIN: If I recall correctly, Kinross is a loan company. Roy-Nat is a federal incorporation and does not come under the Loan Companies Act, because it picked up a charter that was already in existence but dormant which was granted many years ago, which gives most of the powers of the Loan Companies Act but does not come under that particular act. The wording, however, may pick it up—in other words, “within the meaning of the Loan Companies Act.” This is the closest Justice could come to it and this will have to be a matter for decision later on by Justice.

Mr. FULTON: Would I be correct in saying that it is within the intent of present policy that the Royal Bank and the Bank of Commerce respectively divest themselves of Roy-Nat and Kinross?

Mr. ELDERKIN: Not entirely. They may hold ten per cent of the shares.

Mr. FULTON: And you think that is accomplished by subclause 6?

Mr. ELDERKIN: There are phrases used in some other pieces of legislation for the same purpose, namely, “within the meaning of” where you could not spell out the particular case. I can only say to you, Mr. Fulton, that this must be left to the decision as to whether it does embrace such companies. I do not know. I think the intent is there.

Mr. FULTON: And you say elsewhere too, in this bill.

The CHAIRMAN: That part about the stockholding.

Mr. FULTON: Could you point those out to us?

Mr. ELDERKIN: Well, it mentions the stockholding right here, if you go down to paragraph (b).

Mr. FULTON: If one wishes to offer an amendment on this point is this the place or the only place where it should be done?

Mr. ELDERKIN: No; this would be the place here, if you wanted to make exceptions to this particular rule, that it does not apply to certain cases.

Mr. LAMBERT: Roy-Nat does not accept deposits from the public.

Mr. ELDERKIN: No; this would probably let them out, as a matter of fact.

Mr. LAMBERT: Kinross does not accept deposits from the public.

Mr. FULTON: No, but it is a loan company.

Mr. LAMBERT: Yes, but these are not exclusive conditions.

Mr. ELDERKIN: No, these are not exclusive conditions.

Mr. FULTON: I would have thought—correct me if I am wrong—that Roy-Nat would have been closer to a trust company than a loan company.

Mr. ELDERKIN: No. I think the point that Mr. Lambert raised—and I am sorry I did not mention this earlier—is that this accepting deposits from the public is a qualification to the previous statement and it may exempt, in both cases, these two, as long as we find out what “accepting deposits from the public” is.

Mr. FULTON: Another definition?

Mr. ADDISON: You say Roy-Nat has the old charter and, therefore, it does not fall under the Loan Companies Act.

Mr. ELDERKIN: That is right.

Mr. ADDISON: May I ask what the difference is?

Mr. ELDERKIN: I can give you one example. It is not limited by the ratio of liabilities to capital. There may be some other ones but I cannot think of them at the present moment.

The CHAIRMAN: I think, perhaps, we are straying a bit off the territory covered by this bill, although you may want to look into this later on. Can we proceed, please?

Mr. ELDERKIN: In clause 19 there is a small amendment which permits the directors to hold an annual general meeting if they see fit at some place other than the head office if this became necessary.

Clauses 21, 23 and 24 all provide for new titles for officers in the bank. Whether it was necessary I do not know, quite frankly, but it was put in at the request of the banks. You will notice that clauses 23 and 24 refer to vice-presidents who are directors. Later on, in clause 28, you will find that we provide for appointment of vice-presidents who are not directors. This is really following the United States custom, as a matter of fact.

Mr. LAMBERT: Well, there are a number now, are there not, Mr. Elderkin?

Mr. ELDERKIN: Not in banks. They could not before.

Mr. LAMBERT: I thought in some cases they had sort of regional vice-presidents, and this was an upgrading in the pecking order in the banks.

(Translation)

Mr. CLERMONT: At the present time, Mr. Elderkin, do they have acting vice-presidents?

(English)

Mr. ELDERKIN: Yes.

Mr. CLERMONT: They do?

Mr. ELDERKIN: When you say "acting vice-presidents", they have directors who are vice-presidents.

(Translation)

Mr. CLERMONT: They are substitutes?

(English)

Mr. ELDERKIN: Some of them are active in the bank business, and some of them are not.

Mr. CLERMONT: Are there any assistant vice-presidents?

Mr. ELDERKIN: No, there are no assistant vice-presidents today. Under the present Bank Act, the term "vice-president" is restricted to a person who is a director. Clause 25 is completely new and provides, by shareholders by-law, the shareholders may authorize the appointment of an executive committee and

delegate powers to it. The clause is taken, to a great extent, from the Canada Corporations Act and is very similar to it. Previous to this the banks could appoint executive committees but they did not have any powers except to recommend.

In clause 26, which you have in front of you, there is a small amendment which simply changes the time for which the summary of directors' attendance may be compiled. This is desirable because of the different times in which the banks send out their notices of meetings, and if they sent out a notice of meeting on the first of the month it would be very difficult for them to compile something up to the day before, so we have given them 60 days before the date of the notice.

Clause 28, again, is only a question of changes in title, and in 1 (b) of clause 28 is the authority for the appointment of vice-presidents other than directors.

Mr. LEBOE: We see a new phrase here again, Mr. Chairman, "carrying on the business of the bank" instead of "banking business".

Mr. ELDERKIN: That must be all right, I should think.

Clause 29 is new in this way. Section 60 of the present act provides for the reporting for the month of the non-current loans less reserves in the financial statements of the bank. This is being discontinued as being of no practical value for information purposes, but this new provision requires the management to report such loans to the directors at least once in every year and to have such reports incorporated in the minutes of the directors. After this was drafted it was brought to our attention that it required an amendment which you will see in the amendment before you, because the words "owing to the bank by any person" which appear in the fourth line of that section, include loans already written off and uncollectible but not extinguished by law, and so the amendment provides that it should refer to such loans as are presently on the books of the bank.

(Translation)

The CHAIRMAN: Mr. Clermont? Pardon me; but I gave the floor to Mr. Clermont.

Mr. CLERMONT: Mr. Elderkin, when you say in Section 29 that "any person" and then in the second sub-clause you say "the borrower", does "any person" include corporations or companies?

(English)

Mr. ELDERKIN: Yes, under the Interpretation Act.

Mr. LAMBERT: What is the motivation of this section, Mr. Elderkin?

Mr. ELDERKIN: To bring to the attention of the directors twice a year such loans as may be non-current under the definition. This definition was in the old section, Mr. Lambert, and in the old section it also required that these be reported to the directors. In the financial statement these non-current loans appeared as a separate item. We have eliminated that title from the financial statements that are proposed because it was of no value because the banks, for the purposes of the financial statement, simply wrote them off.

Mr. LAMBERT: Is there any magic in the breaking figure of one-tenth of one per cent of paid up capital and rest?

Mr. ELDERKIN: No. We have used that in many cases but we did not think the small ones were really of enough importance to be reported, and that is all. There are probably, in some banks, many hundreds of small ones—although I hope not.

Mr. LAMBERT: But is it the aggregate?

Mr. ELDERKIN: It is the aggregate amount of the individual loans. Look at the amendment, current loans to any persons that are included in the latest return made by the bank to the minister under section 103—that is the monthly statement—and the aggregate amount of which—the loans to the individual, the person.

The CHAIRMAN: The aggregate amount meaning, in other words, the total of the loans.

Mr. ELDERKIN: No, the aggregate amount to the person. He may have two or three.

The CHAIRMAN: Well, surely the position of a bank could be impaired by making a large number of loans which are non current, none of which would exceed a certain amount of the bank capital.

Mr. ELDERKIN: Well, they could if there were a very substantial amount of these but, so far as that is concerned, we pick those up in another section. One tenth of the bank's capital I think, would pull in anything of real importance.

The CHAIRMAN: Coming from Windsor, as I do, I could not help but be cognizant of the recent failure of the Public Bank in Detroit which, according to newspaper reports, was occasioned largely by making a large number of poor home improvement loans none of which, individually, came to any large amount but, in total, created a very serious situation.

Mr. ELDERKIN: It is perfectly true this could happen in a small bank. We would hope that before such a situation arose that the inspection service would catch up with it, either my office or the auditors at the bank.

The CHAIRMAN: You do not feel then that it should be in the aggregate of all non current loans rather than a particular loan?

Mr. ELDERKIN: Some of these loans are just in the hundreds of dollars which I think would be a great administrative problem with banks. I do not think this causes any trouble. It would not so far as my end of it is concerned.

The CHAIRMAN: I see.

Mr. LAMBERT: I am going to suggest to you, Mr. Elderkin, that on an interpretation of this clause, as it is presented, and also in your amendment the word "which" would have reference back to the non current loans, not to any one person.

Mr. ELDERKIN: I raised the same question with the Department of Justice. They said that it referred to non current loans to any person. This is a legislation section. I raised the same question both on this and on the amendment, but this is their opinion. The non current loans to any person is the "of which".

The CHAIRMAN: I suggest, Mr. Lambert, when we invite counsel from the Department of Justice to attend this meeting, that we ask them to comment on this directly. It is a useful point. Would you proceed, please?

Mr. FULTON: Mr. Chairman, some of us have other meetings to attend.

The CHAIRMAN: I was going to suggest adjourning at one o'clock.

Mr. FULTON: We are half an hour late now for a meeting.

The CHAIRMAN: Perhaps this would be a convenient time to adjourn. Therefore, I declare this meeting adjourned until 3.30 or until Orders of the Day are completed, whichever occurs first.

EVENING SITTING

The CHAIRMAN: Gentlemen, I think we are in a position to call the meeting to order. Before asking Mr. Elderkin to continue I will report to the committee on two points. First, I communicated the committee's concern to the Minister of Finance about not having the details of the deposit insurance proposals available to us and I understand that efforts are being made to deal with that situation. Also, I have been in touch with the Department of Justice and in particular Mr. Ryan, the senior solicitor of the department, who has been working with Mr. Elderkin and others on the drafting, and I believe Mr. Elderkin has been in touch with him as well. He will be looking into the points that were raised this morning relative to his responsibilities and he will be with us Thursday morning to report on them and to deal with other questions that may arise tonight or may arise in subsequent sittings. I think when we adjourned we were at clause—

(Translation)

Mr. CLERMONT: Will you allow me a question referring to Section 18? Mr. Elderkin answered, regarding the qualifications of directors, the amount represented shares at par. There is no reference to stock at par value in Section 18. What exactly did Mr. Elderkin mean by that?

(English)

Mr. ELDERKIN: It is the amount paid up on the par value of the shares.

Mr. CLERMONT: Why does the article not mention it?

Mr. ELDERKIN: It is on the paid up capital stock, Mr. Clermont. In all three paragraphs, (a), (b) and (c), it refers to "on the paid up capital stock".

(Translation)

The CHAIRMAN: May we refer to Clause 31?

(English)

The CHAIRMAN: Are we at 31—which clause were we at?

Mr. ELDERKIN: May I first correct some evidence which I gave this afternoon?

The CHAIRMAN: Certainly.

Mr. ELDERKIN: On the same clause 18, subclause (6); I was asked by Mr. Fulton whether this would apply to such corporations as Roy-Nat and Kinross. I suggested that it did and I was quite wrong in doing so, I was thinking of a section which comes later, this only refers to directors; this does not bar a person who is a director of Kinross or of Ray-Nat from being a director. I shall make a point of speaking about this to Mr. Fulton because he mentioned or

suggested he might want to put in an amendment, but the amendment should not be on this section, it should be on the one later on.

The CHAIRMAN: Perhaps you could communicate this point to Mr. Fulton.

Mr. ELDERKIN: I will.

Mr. LAMBERT: I think, perhaps, Mr. Chairman, it may go to the point where there should be a maximum proportion of the directors of a trust company.

Mr. ELDERKIN: We have a maximum proportion in the next subclause on that one. The one which we dealt with in subclause (7). It can only be in relationship. In other words, it cannot be more than 20 per cent. It is only in relationship to the total number of directors. This does limit the number that can come from the others.

I will communicate with Mr. Fulton and tell him that I was wrong in saying that if he wanted to present an amendment it should be in another subclause. We were then, I think, finished with the directors and we were on Clause 30. There is nothing in Clauses 30, 31, 32—changes are unimportant—when we get to Clause 33—

(Translation)

Mr. CLERMONT: It takes twenty-five shareholders to call a meeting, Mr. Elderkin, and they must represent one-tenth of the paid-up capital. Is that right?

(English)

Mr. ELDERKIN: Well, to call a special meeting of shareholders by the shareholders themselves, yes, 25 shareholders. That is in Clause 30(b).

(Translation)

Mr. CLERMONT: But this percentage of one-tenth of paid-up capital of a bank, is it not too high?

(English)

Mr. ELDERKIN: This is really a very old section. It has been in the present act and the one before that—this has always been a stipulation. These are cases only where a group of shareholders want to call a meeting and the directors will not call it.

(Translation)

Mr. CLERMONT: The fact that it is one-tenth of the paid-up capital of the bank, when the directors want to call a special or extraordinary meeting, what happens then?

(English)

Mr. ELDERKIN: The directors can call a meeting any time they want to.

(Translation)

Mr. CLERMONT: But how many of the directors are required to call such a meeting?

(English)

Mr. ELDERKIN: A majority of the directors, that is all.

(Translation)

Mr. CLERMONT: No, four.

(English)

Mr. ELDERKIN: Yes, only four of them; I beg your pardon. I am sorry. This is one I have not looked at for a long time.

(Translation)

Mr. CLERMONT: Even though it is an old provision in the Bank Act, it seems to me it is too high a percentage of shareholders. It would seem to me to be more reasonable to increase the number of shareholders and diminish the percentage.

(English)

Mr. ELDERKIN: Mr. Clermont, you could get a situation, unless you take safeguards against it, where a very small group of shareholders, that is, a group of shareholders which were quite numerous but held very few shares, could call for a special general meeting.

(Translation)

Mr. CLERMONT: But, Mr. Elderkin, after all four directors can call—they might have only \$3,000 or \$7,000 of stock at par value. Do you not have to have twenty-five shareholders with a percentage of one-tenth of paid-up capital in order to call a meeting? Is there not a sort of discrimination there?

The CHAIRMAN: It is possible that it is more easy for the directors to call a meeting and more difficult for the shareholders. Is that the point you want to make?

Mr. CLERMONT: Yes.

(English)

The CHAIRMAN: Has it come to your attention that there is difficulty on the part of the shareholders in calling meetings of this kind?

Mr. ELDERKIN: We have never had an occasion in my experience in 22 odd years.

Mr. LAMBERT: Mr. Chairman, might it not be that in actual fact the figure of four directors represents a much higher proportion than 10 per cent of the directors. I would suggest that likely every bank has about 25 to 30 directors and therefore—

(Translation)

Mr. CLERMONT: But, Mr. Lambert, the 10% represents a percentage of paid-up capital. Just take the example of the Bank of Montreal, where the paid-up capital of \$60,000,000, you would have to have at least 25 shareholders holding \$6,000,000 in shares.

The CHAIRMAN: I understand you quite well, but we are simply asking for explanations here, and if you will allow me to reserve this matter for a minute, we will be able to come back to this later.

(English)

Mr. ELDERKIN: In Clause 33 there are two amendements; one is a deletion. In the present Bank Act there is a provision under paragraph (c), subsection (1) of Section 36, which says that the directors shall not fix a price that would make the premiums, if any, payable on the stock so offered greater in relation to the par value of the stock than the rest account then is in relation to the paid-up capital stock.

This has been in force for a great number of years. It has meant that the banks in offering stock to their shareholders and later to the public have had to offer it at a price which often was very substantially less than the market value. This has been deleted in the present amendment in order that the directors may offer stock at such price as they see fit. But, they must offer it, if you remember, to the shareholders prorata first. It is only the small amount of stock which is not taken up by the shareholders which goes to the public thereafter.

The other amendment is in subclause (2) in which at the present time it says in the third line of subclause (2) that the offer shall be mailed to the shareholders for acceptance not later than the ninetieth day after the day on which the offer is made. The amendment which we are proposing changes that to "not earlier than the thirtieth day after the day." The reason for this is that with modern communications services lengthy notice is no longer necessary. I could refer you to the Canada Corporations Act wherein the notice is 14 days. The underwriters, particularly, who will be participating in distributing some of the stock are anxious to shorten that time, because it leaves a long period in which the market might have all kinds of reaction. So we are offering that new amendment which you have in front of you under clause 33.

In clause 35 there is an editorial change similar to the one in the act regarding the names that appear in the stock book. There is nothing really new in clause 37 of any import. It is mostly terminology.

Mr. LAMBERT: Why the suppression of the occupation in clause 35? Is this just a matter of—

Mr. ELDERKIN: Later on in some other sections it does not occur at all. We are simply trying to bring the whole thing into the same form throughout the act. It still remains in with respect to the first subscribers of capital stock but thereafter the banks do not ask for the occupation of the shareholder. It seems it would no longer be of any use and we are trying to cut out unnecessary wordage.

Mr. LAMBERT: There is some difficulty whether it is a corporate holder—

Mr. ELDERKIN: All you can say is that it is a corporation, or something like that. I think we can now move on. There are really no changes to speak of until we come to sections 44 to 51. These sections as they appear in the bill have been completely redrafted in order to simplify procedures. The proposed changes will leave a bank in a position to continue with book stock, as some of them have. If you understand the phrase "book stock", it means stock which can only be transferred on the books and for which no share certificate is issued. It also takes care of those situations where the banks do issue transferable shares. This was intended to facilitate dealing with such transfers and transmission of shares on the stock exchange, et cetera. This really has been redrafted to follow, in so far as possible, the same provisions regarding transfers as apply to other corporations listed on the stock exchange. There is quite an important amendment also in clause 45, subclauses (3) and (4). Provision is made for a register of shareholders to be kept at each office when a register of transfers is kept. Previously the register of shareholders was only kept at head office but this will mean that there will be a register of shareholders kept at the transfer offices.

These sections 44 to 51 have not only been gone over by the draftsmen of the Department of Justice but they have also been gone over by counsel learned

in law of the province of Quebec to see how they will fit in there, because similar sections appear in the Quebec Saving Bank Act. There is nothing of particular interest here except in clause 51 (1). In the amendment which has been given to you there is an addition to clause 51 (1) at the very end of the clause which you will notice says that nothing in this subsection shall be construed to prevent the bank from refusing to record or give effect to the transmission until there has been delivered to the bank such documentary or other evidence in connection with the transmission as it may deem requisite. There was no authority before for the bank to refuse. This does give them the opportunity to refuse the transfer unless there is satisfactory documentary evidence. This is very important in view of the provisions which you find on ownership later on, where they are required to have sufficient documentary evidence.

Mr. LAMBERT: Some years ago in western Canada we had a very difficult proposition which arose out of a writ of extent issued through the exchequer courts, on behalf of the Minister of National Revenue, to seize what were, in effect, the shareholdings of an absconding debtor to the Crown. There was no evidence of the share certificates being around and an effort was made to serve the writ of extent on the transfer or registered office of the company and to place the seizure on the record of the shareholding. This was the only evidence of this personal property. I must say that this created a great deal of difficulty. As a matter of fact, I doubt if it has ever been resolved. It meant a great loss to the Crown because there were several tens of thousands of dollars involved. It also served to defeat some other creditors. I was wondering whether consideration had been given to the proposition that in the event the share certificates have either been destroyed or have been taken by the absconding debtor, that a writ of extent or a proper writ of seizure issued by an appropriate court could fix the record in the hands of the registered office or of the transfer office within the jurisdiction so that these shareholdings could actually then be a property that is realizable on behalf of the Crown or on behalf of the creditors.

An hon. MEMBER: Would that be dealing with certificate shares?

Mr. LAMBERT: Yes. It is a question of whether, in personal property, the actual certificate itself is the personal property that can be seized under a writ of extent or under a writ of seizure. There is, I suppose, an attempt made there to distinguish between the certificate, which is representative of the property holding of the debtor, as against his true holdings, as evidenced by the records of the company. I would put it to you, Mr. Elderkin, that perhaps this should be considered.

Mr. ELDERKIN: I do not want to quote law but I think I am right that it is well within the bounds of any creditor to take a writ of execution, you might call it, or an injunction which will stop the transfer of the shares on the books of the bank. Certificates are unnecessary; certificates may be in existence in many names. Where certificates are transferable by endorsement they may pass through many hands and they may not then be in the hands of the original owner at all by this time. I may be wrong in this, I do not know when this case that you speak of occurred, but it may have been before the amendments in 1954 which permitted the banks to issue transferable certificates.

Mr. LAMBERT: No. This would be about 1957 or 1958.

Mr. ELDERKIN: Well, again it might have been a bank that did not have transferable certificates, I do not know.

Mr. LAMBERT: It was not in connection with a bank, this was an industrial gas company. But I would put it to you there is no distinction between shareholders in a bank and shareholdings in such a corporation. What I am after is the principle that one could attach and be able to realize upon the holdings, without being able to lay your hands on the actual certificates.

Mr. ELDERKIN: I do not want to try to quote law but you can certainly file an injunction against the transfer of shares if you can prove your case.

Mr. LAMBERT: You have gone through the exercise of an injunction but you cannot realize any money.

Mr. ELDERKIN: Then you have to take action in court. You cannot do otherwise, can you, Mr. Lambert? You have got to take action to prove your claim.

Mr. LAMBERT: The claim is already proved. The Minister of National Revenue held a judgment against the debtor.

Mr. ELDERKIN: Then he could seize the asset, could he not?

Mr. LAMBERT: The asset is deemed to be represented by the share certificate, which is not present, the bailiff could not lay his hands on the certificate.

Mr. ELDERKIN: The share certificate does not necessarily represent the asset. It may not be the same owner at all. It does not necessarily represent the asset at all.

Mr. LAMBERT: This is the point.

Mr. ELDERKIN: If you have a transferable share certificate the holder of that certificate may not be the person who is registered on the book of the shareholders at all.

Mr. LAMBERT: This I readily accept but I want to be able to get at the transfer agent or at the registered office, because I find that very few people while they are holding share certificates will let them stand in the names of other persons. They attempt, as soon as possible, to get the registration in their name, for one thing, if only because dividends are going to be paid.

Mr. ELDERKIN: I will qualify that. A great number of people hold share certificates in the name of brokers and the brokers collect the dividends for a great number. If you look at the shareholdings of banks, as an example, you will find a great number of shares are held in the name of members of a stock exchange. I do not think, actually, that such a legal qualification at that stage should apply only to banks and therefore I would doubt whether the proper place for it was in the Bank Act.

Mr. LAMBERT: It started with the Bank Act. As a matter of fact, tomorrow I will verify with the Department of National Revenue whether they have ever been able to come to some finality in this particular case.

Mr. CHRÉTIEN: Mr. Chairman, this problem is a problem of civil matters; it does not come from the Bank Act. It is a problem of all the certificates of all shareholders in all companies. It is not a matter of—

The CHAIRMAN: I think that we have discussed this very interesting problem at a reasonable length. Perhaps, after studying it further, when we get to the debate stage on the bill Mr. Lambert may have some other suggestions to offer on this point.

Mr. ELDERKIN: We now move into some of the most difficult sections of the act, sections 52 to 57. These refer to ownerships and holdings of shares by individuals, limitations, and so on. I will try to be brief as possible. In so far as they apply to non-residents they are similar to the ones that were made in the insurance, trust and Loan Companies Act in the statutes of 1964-1965. The definitions are generally the same as in those acts. The exceptions really are few. One is the definition of an agent, which appears in this bill but does not appear in those acts. The other is the definition of a non-resident trust, which did not appear in the other acts. Here there is another difference. I would summarize it by saying this limits the total foreign ownership in any bank to 25 per cent of the outstanding shares unless at a prescribed date, which is the date it is announced in the house, more than 25 per cent of the bank was owned by non-resident ownership. The only bank which comes under those circumstances, that we are aware of, is the Mercantile Bank. Then there is the limit of 10 per cent in the hands of any one shareholder. However, there is one exception, a new bank, which may get permission for a period of time from the Treasury Board to hold more than 10 per cent in the name of any one shareholder or associated shareholders. This was the case with the Bank of Western Canada, which applied for permission to hold more than 10 per cent, and Treasury Board gave them that permission for a period not to exceed 10 years. The amendments, which are those I filed with you today, are for the purpose, really, of clarifying some of the sections of 52 to 57, and principally to clarify the associate status. This is a very difficult piece of legislation, namely, what is an associate, particularly when it is in relation to officials of the provincial governments administering or managing funds such as compensation, hospitalization, and so on. One of the provisions in here, and I mentioned this earlier during the discussion on the Bank of British Columbia, is that this bill is different from C-102 in that it provides that funds of that nature held in any province may not total more than 10 per cent of the shares of the capital stock of a bank. And they shall be non-voting shares. Frankly, I would think the committee might well want to spend a considerable amount of time on sections 52 to 57. They are difficult. We have had good legislation officers in the Department of Justice working on these. We have also had the benefit of outside counsel working on them, and we hope that as they are stated today, and with the amendments to clauses 53 and 54, that they will be workable. However, we know they do present difficulties in administration. I will leave those with you for the time being. If you wish to ask questions later, I would like to come back to them rather than go into detail on them now because there is an enormous amount of detail. I think they have to be very carefully read, and they are not easy to describe except in a general way, such as I have done. There is one point in here I might mention, namely, there is an exception from the associate status of people who hold not more than 5,000 par value shares. This ties in with the amount of shares which a director may be required to hold under earlier provisions in the act, and it is intended to facilitate the handling of small transactions. Incidentally, the people holding less than 5,000 shares are well

over 95 per cent of the shareholders of the banks today. So, this eliminates—as far as individual shareholders are concerned—from any of these qualifications, practically, or any of these restrictions as far as association is concerned, all those shareholders and really applies them principally to the larger shareholders.

(Translation)

Mr. CLERMONT: Mr. Chairman, would it be fair to include 56 sub-section 2? Could this apply to the Mercantile Bank?

(English)

Mr. ELDERKIN: Yes. This is a case of the 22nd September 1964 being the date on which the former Minister of Finance made his statement in the house. Therefore, it does not affect the Mercantile Bank except that if the Mercantile Bank reduces the number of foreign-owned shares, later on it cannot increase them again. It sets a limit on it.

(Translation)

Mr. CLERMONT: Have Canadian banks always claimed the right to establish banks or is it still simply agencies?

(English)

Mr. ELDERKIN: Two Canadian banks own subsidiary national banks in California.

(Translation)

Mr. CLERMONT: Are they just agencies?

The CHAIRMAN: I think it depends on the law of individual states.

(English)

I think they are individual banks in the United States.

Mr. ELDERKIN: Yes, that is right.

The CHAIRMAN: I believe, unless I am mistaken, that there has been introduced into the United States Congress for consideration for the first time a federal law aimed at regulating operations of banks or agencies coming from abroad. As far as I am aware this has not been passed but it has been introduced.

(Translation)

Mr. CLERMONT: Does New York not allow non-residents to establish banks in the State of New York?

(English)

Mr. ELDERKIN: Yes, they could establish a bank there if they could get the charter. It would be up to the state of New York whether it was granted or not. They do allow agencies and they do allow branches. Our Canadian banks in New York operate as agencies.

(Translation)

Mr. CLERMONT: I think the Bank of Montreal has no real bank there, has it? It is just simply an agency and not a bank.

The CHAIRMAN: I think that is correct, but I think that the discussion of this matter is not entirely concerned with our purpose this evening.

Mr. CLERMONT: Mr. Chairman, if we have no right to ask questions, I simply intend on staying here.

The CHAIRMAN: One can ask all sorts of questions.

(English)

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, on Mr. Clermont's point of order, it does seem to me that Mr. Clermont's questions are quite in order because they have reference to the special treatment that is being accorded to the Mercantile Bank, which is linked to some extent with the reciprocity or otherwise in the way of permitting banks or bank agencies from Canada to the United States and vice versa.

The CHAIRMAN: Well, perhaps I misunderstood the purpose of his questions but it was my thought the committee had agreed that at this stage our general aim was to gain some deeper understanding of the intent of the legislation and what it was trying to say. Certainly in so far as Mr. Clermont's or anyone else's questions are linked with this purpose, which I understood the committee had more or less adopted as part of its procedure, I am happy to accept them. But, I am just wondering whether a discussion, although quite important before we can complete our work, as to practices of other countries with relation to Canadian or other banks links completely with what we are trying to do at the present time.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I may have misunderstood Mr. Clermont but I do not think he was wanting a discussion, he was merely asking for information.

Mr. CLERMONT: That was the intent of my question.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You were merely asking for information to confirm the information you had already.

Mr. CLERMONT: I read Bill No. C-222 in full. I do not need to stay here and listen to another reading.

The CHAIRMAN: Well, if you would like to state your question again perhaps we could give it further consideration. It may well be that I have not understood completely what you are aiming at.

Mr. CLERMONT: I pass.

Mr. ELDERKIN: We now come to annual and other statements. We have some very important changes here, Mr. Chairman. The first one appears in subclause (1). For the first time we have provided in the act that the financial year of all the banks will end on the same day of each year, namely, the 31st day of October. This was the case of five banks; two others ended on November 30 and one on September 30. All three agreed voluntarily to change last year. This has already been in effect for over a year. This is important from the point of view of the banks and it is important from the point of view of statistics to deal with all banking on the same basis. The date was agreed upon with the banks. The date was chosen for the majority.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What section is that, Mr. Elderkin?

Mr. ELDERKIN: Section 60. I jumped over 58 and 59, because there were no amendments in them.

For the first time in the Bank Act, in section 60, we have a requirement whereby the revenue and expenses of the bank will have to be stated in detail in the annual statement of the bank. That is in paragraph (b) of subsection 2. In paragraph (c) of subsection 2, we are offering an amendment which will really enlarge the disclosure which is required. If you look at the amendment as given to you in the papers this afternoon, you will find that it covers with much greater detail than is in the present paragraph (c); and it is for the purpose of tying in with the schedules at the end of the act, which we will go into when we arrive at them. I can only point out at this time that this is a disclosure in full of what are known as the inner reserves of the bank in the future.

There are no important changes until we get over to clause 63(12).

Mr. ADDISON: May I ask for a brief explanation of inner reserves?

Mr. ELDERKIN: Inner reserves, as we have used the terminology in the past, include two types of reserves. One is created out of taxable profits for the purpose of meeting losses—losses which are not specifically provided for. This in effect, is a contingency reserve. There are also inner reserves which are created out of taxed profits.

Mr. ADDISON: May I ask: If these losses are not realized within one year are they then taxable? Are these applied against specific accounts?

Mr. ELDERKIN: No. From this contingency reserve may be charged off specific losses which occur, but under the provisions of this act and the Income Tax Act the Minister of Finance may permit certain specified amounts of non-taxed reserves.

Later on, Mr. Addison, you will see, in the documents which were tabled this morning, the rules which were in effect for these reserves for the fiscal year 1965, and the amount which was permitted by the Minister in these reserves. It is the last document of those tabled this morning.

The CHAIRMAN: I do not think these have been distributed to everyone.

Mr. ADDISON: By the fuller disclosure of these reserves is it possible that the banks will show a higher profit?

Mr. ELDERKIN: There were two disclosures required here. One is the requirement that the banks disclose in detail their income and expenditure and the other the amounts placed in inner reserves; and it will be quite possible for any person to figure out what their actual profit is in any one year, with the amended schedules. This will be something, I must say, which it has never been possible for anyone before to figure out, except perhaps me.

Mr. ADDISON: What I would like to know is if it would be a fair assumption to say that the banks in the past have overstated their inner reserves?

Mr. ELDERKIN: They were not permitted to overstate them, because—

Mr. ADDISON: In order to avoid taxation?

Mr. ELDERKIN: —the rules, as you will see later on, would not permit them to. The Minister sets the limit which they may have.

Mr. ADDISON: The criterion in the past was what, may I ask?

Mr. ELDERKIN: The criterion was based on the loss experience of the banking system as a whole for 25 years—the loss ratio over a period of 25 years for the system as a whole.

I could interject here that the formula which has been in existence now for for a matter of five years or so is being continued in the present year, and no changes will be made in it until such time as the Carter Commission report is received and action taken on that report; from then on it may be different.

Mr. ADDISON: In your opinion, is this a satisfactory experience?

Mr. ELDERKIN: Yes; we have the same situation in the United States, where the banks are permitted a contingency reserve in addition to their actual losses.

The theory is—and it is quite an accurate theory—that bad debt losses are not usually, and almost always are not, loans that you have made in the current year; they are probably loans made one, two or three or four years before. There are always cases where it is impossible to tell just how many of these loans may be bad in the future. Depending on circumstances, you may find that this loss experience may fluctuate fairly heavily from year to year.

The idea of the reserves has always been to sort of even out the profits and stabilize them as much as possible, and to take care of future losses in so far as they may not be apparent now, but they almost certainly will happen. I think I quoted once before a remark made in this Committee by the general manager of one of the banks. He tried to illustrate this by saying that in every barrel of apples there was one rotten one.

The CHAIRMAN: Mr. Chrétien, do you have a question?

Mr. CHRÉTIEN: I have only one question to ask of Mr. Elderkin: Why has it been reported that the banks were quite reluctant to reveal their inner reserves?

Mr. ELDERKIN: I do not think they were so reluctant to reveal their inner reserves, as they were possibly reluctant to reveal their actual losses from year to year.

Mr. CHRÉTIEN: Why?

Mr. ELDERKIN: I suppose the answer to that question is that they felt in some cases if these losses appeared very heavy and it might cause some lack of confidence. I think in 1954 we defended this non-disclosure, but the circumstances were completely different at that time, because at that time the Bank Act required that, in all financial statements of the banks, they should show their Government of Canada and provincial securities at not more than market value. The size of these portfolios in the banks is, of course, substantial, and a movement of one or two points of the market could cause, under those rules, an apparent very substantial loss. This is a loss which actually had not occurred, and was never going to occur, because the amount of sales of that type of security in comparison to the amount of securities held, is likely to be very small and the losses are likely to be very small; because the banks will, normally, when they are required to sell to meet loan demand, try to sell the ones with the least loss possible, in so far as they can.

This was changed in 1957, and now they report these securities at amortized value and they do not take any losses on them except realized losses

on sales. The result is that their loss experience, as compared to what it was in 1954, is on a completely different basis.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are there any available statistics, Mr. Elderkin, on the loss experience of the banking system as a whole?

Mr. ELDERKIN: Yes; I have tabled as an exhibit the 25-year loss experiences on related assets which goes back for 15 years or thereabouts. It is one of the tables which I submitted this morning.

Mr. ADDISON: Mr. Chairman, I would like to clarify one point: Is the loss experience in the current cycle, let us say the last 10 years, similar to the loss experience over say, 25 years?

Mr. ELDERKIN: No; I would say the loss experience on loans in the last three or four years has been somewhat heavier, on the average, on a ratio basis.

The CHAIRMAN: Is this loss experience in the table broken down on the basis of different categories of business?

Mr. ELDERKIN: Just between loans and securities.

The CHAIRMAN: Is it possible to obtain statistics for loss experience on different categories of loans?

Mr. ELDERKIN: No; we have never maintained them. Most of the banks keep separately loss experience on their personal loan plans, but not by any other industry, or other classification.

We do keep a check on where these losses occur by one breakdown, using a measurement of, say, \$25,000; and admittedly, the large percentage in number will, of course, come in that lower bracket.

The CHAIRMAN: But there are no records kept relative to categories—loans to farmers, loans to retailers—

Mr. ELDERKIN: No.

The CHAIRMAN: Is this not done quite regularly in ordinary business? Do not people who sell on credit keep some records of losses in the different categories of their business?

Mr. ELDERKIN: I do not know. Banks could answer this far better than I. However, losses are often more on a geographical basis than they are on a category basis.

Mr. CHRÉTIEN: What is the average right now?

Mr. ELDERKIN: For the 25 years ending in 1965 it was .155 per cent of related assets, of loans and securities.

Mr. ADDISON: What were the figures for the last three or four years?

Mr. ELDERKIN: If you want to go back about five years: in the 25 years ending 1964, it was .145; 1963, .142; 1962, .146; and then it starts to go up a bit. Of course, if you go back to the 25 years ending in 1954 you get a loss experience of .338, but then you have all your 30s in there.

Mr. ADDISON: You were saying that in the last three or four years your loss ratio has been higher than the 25 year average.

Mr. ELDERKIN: I was speaking here of the 25 year average. I am just quoting the 25 year average.

Mr. ADDISON: But you are saying that in the last three or four years—

Mr. ELDERKIN: That is right. The loss experience have been higher.

Mr. ADDISON: In the good times we have had in Canada?

Mr. GRÉGOIRE: Could you give us the percentage for the last 25 years?

Mr. ELDERKIN: The last 25 years was .155 per cent at the end of 1941 to 1965.

Mr. CHRÉTIEN: For the last 25 years.

Mr. ELDERKIN: For the 25 years ending in 1965.

Mr. CHRÉTIEN: Do you have the percentage for the last year?

Mr. ELDERKIN: I do not have it with me. I will quote from memory—about .232.

Mr. CHRÉTIEN: As much as that?

Mr. ADDISON: This is a percentage of the available loans.

Mr. ELDERKIN: As a percentage of the related assets, yes; loans and securities other than those of Canada and the provinces.

Mr. CHRÉTIEN: What do you mean by securities?

Mr. ELDERKIN: Bonds, debentures.

Mr. CHRÉTIEN: Oh, yes.

Mr. ELDERKIN: Not stocks. They are not in that.

Mr. GRÉGOIRE: Can we conclude that the banks almost never lose money?

Mr. ELDERKIN: If you put that in global figures you will find it is a very substantial loss.

Mr. GRÉGOIRE: But according to the average it is one and a half tenths of one per cent?

Mr. ELDERKIN: Last year it went up to close to a quarter.

Mr. GRÉGOIRE: A quarter of one per cent.

Mr. ELDERKIN: Yes; over the whole portfolio. It amounts to a good deal of money.

May I carry on?

The CHAIRMAN: Yes.

Mr. ELDERKIN: We are now dealing with the auditing clauses. There are two important amendments in subsection 12 and subsection 13. In the amendments which I gave you this morning the intent of these is to make the auditors responsible for accuracy of the statements not only of the balance sheets but of the statement of revenue expenditure and the statement of inner reserves.

This is quite a departure, because in the past, under the present act, the auditor was responsible only for the accuracy of the balance sheets. We are now making them responsible for the accuracy of all published statements.

I think we might move on to the next item which comes into the field of your witness, and that is the inspection. The only important thing in this is the change in the provision, which appears in the amendments which I tabled this morning. In the past the staff of the office of the inspector general's department have not been civil servants. They were under the superannuation provisions, but they were not, and never have been since the office was set up in 1924, members of the civil service. The amendments which were placed before you today will make them members of the civil service. This means they will have to be qualified in the same way. In the past all employees of the staff of the office were hired by the inspector, or, really, by the Minister, on the recommendation of the inspector.

Mr. CHRÉTIEN: What is the number of your staff?

Mr. ELDERKIN: Three.

Mr. GRÉGOIRE: In reply to an earlier question you said that the loss was one and a half tenths of one per cent of the total assets.

Mr. ELDERKIN: No; not of the total assets; just of certain types of loans and securities.

Mr. GRÉGOIRE: Loans?

Mr. ELDERKIN: Not of all loans, not by any means. Again I could refer you to the rules, in this respect, which appear in the tables which I presented this morning. There are a great many loans which do not qualify under this. It is only with respect to the loans which are named in those tables that this percentage applies; not all the loans, by any means, and not all the securities, by any means; no government guaranteed securities, or anything of that type.

Mr. GRÉGOIRE: On personal loans mostly?

Mr. ELDERKIN: On personal loans, yes; they fall in. They are "reservable" if that is a good word category.

Mr. CHRÉTIEN: I would like to raise this question, Mr. Elderkin. How can you control all the books of all the banks with only three employees?

Mr. ELDERKIN: This is a good question. It is not a difficult one, though, because of the set up of the Canadian banking system. Under the Canadian banking system all information comes into the head office. All the branch returns are sent into head office, and they are collated there. All the loans over and above a certain amount have to be filed in head office. The loan may be made at a branch, or it may be authorized at a regional office, but there will be a file on it in the head office, as well. It is not really nearly as arduous a job as it would appear. I would like to make it appear difficult, but not that difficult.

It is quite different than if you have to inspect this number of branches which, of course, you could not without—I think, we have 5,600 branches, of banks in Canada as compared to something like 14,000 branches of banks in the United States, and if I remember rightly the number of staff in the inspection service in the United States is something like 900.

The CHAIRMAN: This is something like the story about the regiment of United States cavalry escorting the tribe of Indians over the border where they were to be met by Canadian forces. It turned out that there was only one

Mountie there and the American troops said: "Where are the rest of your people"?, and the Mountie said: "The other fellow is back watching the horses."

Mr. ELDERKIN: I might also say—and this is a very important part of my answer to your question, Mr. Chrétien—that under the audit section of the present bill—the present enactment of this bill—the Minister has the power to lay down any terms of audit which power, of course, passes on to me. In other words, I can lay down any terms of audit procedure for the auditors, and we do. We never tell the auditors they should do less work, but we sometimes tell them they should do more.

The CHAIRMAN: Under the amendments of this bill before us do you contemplate your office requiring more staff?

Mr. ELDERKIN: I think probably if we get more banks, yes; but not because of these amendments to the present banking system.

Mr. ADDISON: Mr. Chairman, during the discussions the other day on the Bank of British Columbia the inspector related a case whereby one particular bank in the early 1950s was over-loaned in the wool industry, I believe. Is this readily detectable.

Mr. ELDERKIN: Yes; we get a monthly return from each bank of the number and amount of loans in each of the manufacturing categories, which are in excess of authorized credits of \$1 million. We get a quarterly return in detail of all classifications—there are some 26 classifications—of loans. From these you can see the trend in any particular industry in any particular bank, both as regards authorizations and outstandings.

Mr. ADDISON: Are these supplied by the auditors for the bank?

Mr. ELDERKIN: No, these are supplied by the banks themselves. We check these back when we do an inspection.

(Translation)

Mr. CLERMONT: I read in the Bank Act that the salary of the Inspector General is paid pro rata by the banks. I wonder if there is any reference to you this afternoon that certain accusations were made that your salary and your expenses are pro rata reimbursed by the banks?

(English)

Mr. ELDERKIN: No, Mr. Clermont, I think we will have to put that in different wording. My salary and expenses are paid by the government, and they then tax the banks for this.

(Translation)

Mr. CLERMONT: What is the difference?

(English)

Mr. ELDERKIN: Oh, quite a bit of difference. I am a government employee, not a bank employee.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): In other words, the bank cannot fire you.

Mr. ELDERKIN: No, they cannot fire me.

The CHAIRMAN: Mr. Elderkin, I would like to ask a question about 64(4). Perhaps it is a question about the drafting. It reads as follows:

(4) The Inspector while holding office shall not perform any service for compensation other than the service rendered by him under section 65 unless he has first informed the Minister in writing of his intention to do so.

Mr. ELDERKIN: That is correct.

The CHAIRMAN: I may be wrong here, but it would appear that as long as you inform the Minister in writing of your intention to do so you can go and do outside work whether he likes it or not.

Mr. ELDERKIN: No, I cannot, because he could have me fired. He is the one person who could have me fired.

The CHAIRMAN: I guess you have answered that one.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): He has discretion, Mr. Elderkin, about letting you do a little moonlighting.

Mr. ELDERKIN: As a matter of fact this is a peculiar provision. I do not think it appears in any other piece of legislation in the government. Nobody else is prohibited from doing a little moonlighting as you call it. Quite a number of our civil servants write, and some of them, I presume, get paid for it. This has always been in the act that I could not borrow money from a bank without informing the Minister, and I cannot perform any outside service for remuneration, without informing the Minister.

Mr. LEBOE: Are you going to publish your books after you retire?

Mr. ELDERKIN: Which books are you referring to, Mr. Leboe? If you are talking about my financial statements they would not be very interesting.

I think there is very little to talk about until we come to clause 72. This is the clause covering the cash and secondary reserves.

Mr. LAMBERT: With respect to Section 65(4), as a matter of information: Does the Inspector of Banks perform under the Inquiries Act?

Mr. ELDERKIN: He can.

Mr. LAMBERT: When would be the last time?

Mr. ELDERKIN: I have never done it, because there never has been any occasion, but if there was an occasion where I had to take evidence I would probably take evidence under oath under the Inquiries Act.

This would be a case, Mr. Lambert, where you had a bank which was in financial difficulties, or might be getting into financial difficulties, and this power gives to the Inspector General the right to call for sworn declarations from directors, employees, or anybody whom he wishes to call.

Mr. CHRÉTIEN: Mr. Elderkin, do you receive many complaints about customers of the bank directed to your office about the management of banks.

Mr. ELDERKIN: Do I receive many?

Mr. CHRÉTIEN: Yes.

Mr. ELDERKIN: They seem sometimes to run in cycles. I do not receive many, relatively, no. I suppose one might say that the complaints mainly come to the Minister, and then they are sent down to me.

I would think that I average one a week for the year.

Mr. CHRÉTIEN: No more than that?

Mr. ELDERKIN: No.

Mr. CHRÉTIEN: What do you do with them?

Mr. ELDERKIN: We answer them; we look into them to see if the complaints are legitimate or not.

Mr. CHRÉTIEN: When you say one a week, is it you and the Minister or only you?

Mr. ELDERKIN: No, I am speaking of the combination, because most of the complaints do go to the Minister. We might get more sometimes; we might get two or three some weeks and then we might not get one for a month.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Could you tell us what they complain about? Do they complain about not getting loans?

Mr. ELDERKIN: Yes, that they cannot get loans; they complain about such things as not getting enough interest on their deposits; they complain about the fact that in a period of monetary restraint such as the present time, maybe their line of credit has been cut back or reduced. They complain mostly about things like this.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mostly reasonable complaints.

Mr. CHRÉTIEN: But did you find over the last few years some cases where the banks were in the wrong, and you were obliged to force the bank to change their policy or conduct.

Mr. ELDERKIN: Not change their policy particularly but we have had occasions, of course, of complaints where managers, I think, have exceeded their authority. When we get a complaint of this kind we do not go to the manager at all; we refer this to the general manager of the bank and ask him for an explanation of it. He will always investigate it at our request and in one or two very rare cases the situation has proven that the manager was wrong in his actions.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): When you say "exceeded his authority" what do you mean, Mr. Elderkin?

Mr. ELDERKIN: Where he did something which he had no right to do, under his authority. Once in a while you get a case, of course, of a manager who has defaulted, but this is very rare, thank goodness. It is extremely rare.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I do not know if you could call that exceeding his authority, but I suppose you could.

Mr. ELDERKIN: Well, it does exceed his authority because often he has exceeded his authority by taking money he did not have the right to take. I was using a very polite phrase there, Mr. Cameron.

Mr. LAMBERT: Among these complaints, have there been any where a manager has made a loan on the promise of a mortgage which, I think, is prohibited under the existing act?

Mr. ELDERKIN: We had some of those about five or six years ago in respect of one bank, but it was reported to the Minister and he wrote to the bank and told them.

Mr. LAMBERT: This is what you would say was exceeding authority?

Mr. ELDERKIN: It is very hard to tell, anyway. He may have only received this on a verbal arrangement in which case you cannot prove very much.

The CHAIRMAN: I think we can proceed.

Mr. ELDERKIN: Now we move into section 72, which is the section which deals with cash and secondary reserves. In Bill No. C-102, there was a provision for a reserve of 8 per cent, reducing to 7 per cent over a period of time. The present proposal is made as an alternative. The result, based on the latest figures available, would produce an overall average of about 6.6 per cent. However, it is being proposed here that the period for calculations is being shortened; the period for calculations will be one half month. This is in order to give the central bank a more effective monetary control. This provision, as you will notice, is for 12 per cent on demand deposits and 4 per cent on notice deposits, all in Canadian currency.

Subclause (3) of this clause sets up authority to the Bank of Canada to require a secondary reserve as they should see fit to do so. In the present arrangement, there is an understanding between the banks and the Bank of Canada that they will maintain a secondary reserve of approximately 7 per cent of their Canadian dollar deposits, but this has never been put in legislation; it is a voluntary agreement.

When you come to the Bank of Canada Act you will find there is a provision in the present act which states that the Bank of Canada can impose a further cash reserve requirement up to as high as a total of 12 per cent. They have never used this and, quite frankly, they do not wish to use it. This is, to a certain extent, a replacement for that; this is a standby power; this is not one that takes effect unless the Bank of Canada sees fit to impose this in the course of their monetary actions.

The CHAIRMAN: I think Mr. Grégoire wanted to ask a question.

Mr. GRÉGOIRE: I wanted to ask some questions on clause 1 and clause 2. Mr. Elderkin, I see in the *Statistical Review* from the D.B.S. of September 1966, that in June 1966, the last month for which we have figures, the total reserves of the chartered banks was \$1,492 million, which is not much difference.

(Translation)

Their liabilities represent 18 billion 443 million or an average reserve of 8.1 per cent. If the average percentage of reserves goes down to 6.6 per cent, and the chartered banks still have 1 billion 492 million in reserves at 6.6 per cent, that means they can increase their liabilities and deposits to 22 billion 606 million approximately. That is to say an increase of 4 billion 163 million, which will make it possible for them to increase their loans?

(English)

Mr. ELDERKIN: In the first place, Mr. Grégoire, I think we are out of my field here; this is one that really should be discussed with the Bank of Canada. I might just mention that the volume of deposits which the banks may, in total, have is governed to a great extent by the policy of the Bank of Canada. They can reduce this. Just the fact that you get a reduction in your cash reserves does not mean that that makes more money available to the bank. It makes it available only if the Bank of Canada sees fit to give it to them. In other words, there is a complete control over that part of it so this reduction may not mean anything to the bank at all.

(Translation)

Mr. GRÉGOIRE: Now, it is agreed that the reserves are controlled by the Bank of Canada, but I am asking you, under section 72 of the Act—this is a purely technical aspect—if the chartered banks keep their present reserves, that is to say one billion 492 million, and they are bound by an average percentage of 6.6, which may be adapted during the next six or eight months, nevertheless, under section 72, they can increase their liabilities and therefore loans by about 4 billion, 163 million. Is this accepted?

(English)

Mr. ELDERKIN: They can only increase it if the Bank of Canada permits them to increase it. The Bank of Canada can drain cash off the banks, Mr. Grégoire, easily, and does at times.

Really, Mr. Chairman, I think we are in a field which belongs to the Bank of Canada and not to the Inspector General of Banks, if you do not mind my saying so.

Mr. LEBOE: I wonder if the inspector would explain what is meant in the second line of the first subclause by, "in the form of notes".

Mr. ELDERKIN: "In the form of notes?"

Mr. LEBOE: That is right.

Mr. ELDERKIN: "...in the form of notes of, and deposits with, the Bank of Canada". This consists of form of notes and deposits with the Bank of Canada.

Mr. LEBOE: Notes of the Bank of Canada?

Mr. ELDERKIN: That is right. They are the only notes that are legal tender, Mr. Leboe.

Mr. GRÉGOIRE: Legal tender?

Mr. ELDERKIN: Notes of the Bank of Canada are legal tender. As a matter of fact, there is an amendment in your Bank of Canada amendments which embraces this particular point.

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, I think Mr. Elderkin did not exactly understand. Let us suppose that at the present time, the total of the reserve is 1 billion 492 million. If these reserves stay at that figure, by very fact the average

percentage has gone down from 8 to 6.6 per cent, that means automatically that the banks can increase their deposit liabilities and therefore loans, by 4 billion, 163 million, without you, the inspector, finding anything wrong?

The CHAIRMAN: I feel, Mr. Grégoire, that this question should be directed rather to the Governor of the Bank of Canada. The limits which are being set to questioning here are due to the policy adopted by the Committee at the outset. To be fair with everyone, I must—

Mr. GRÉGOIRE: Mr. Chairman, I don't want to ask this in the light of monetary policies, I would just like Mr. Elderkin to look at it as inspector general of banks, and explain any changes. He accepts the amendment before us, and if the reserves remain at the same figure, but the average percentage goes down to 6.6 per cent, can he, in all legality, allow the total deposit liabilities to be increased to 22 billion 606 million, when there are total reserves of 1 billion 492 million? Is this normal, under the terms of section 72 before us?

(English)

Mr. ELDERKIN: I could just say I have no control over it, Mr. Grégoire. It does not come within the terms of my work at all.

Mr. GRÉGOIRE: I do not mean you have any control over it. I mean that if, according to the Bank Act, the banks have a right to keep only 6.6 per cent as reserves and if they have a total reserve of \$1,492 million, as they have today, they would then be able, without any complaints from the Inspector General, to increase their loans by \$4,163 million?

Mr. ELDERKIN: There would be no complaints from an inspector because it was within the Bank Act.

Mr. GRÉGOIRE: That would be within the Bank Act?

Mr. ELDERKIN: They will not increase it if the reserve stays at the same amount.

Mr. GRÉGOIRE: They would?

Mr. ELDERKIN: They would not, if the reserve stays at the same amount.

Mr. GRÉGOIRE: Why?

Mr. ELDERKIN: Because there is no increase in the reserves, so how—

Mr. GRÉGOIRE: No, but there is a diminution of the percentage.

Mr. ELDERKIN: No. The percentage will not make any difference.

You are talking about the volume. This is out of my field, Mr. Chairman. I think it should be reserved for the Bank of Canada, not me.

The CHAIRMAN: I think that this would be a better way to explore this, and I certainly would have no objections as Chairman to your calling the attention of the Governor to this specific part of the Bank Act, even though we are on the Bank of Canada Act. Since the Inspector General has already told us that the regulation of reserves, if I might use that term, does not fall within his day to day responsibility, I think we are being a bit unfair to him to pose technical questions on this very important topic.

Mr. GRÉGOIRE: When it is in the Bank Act? It is article 72.

The CHAIRMAN: Well, there is no doubt about that.

Mr. ELDERKIN: It only requires me to report on them, which I do. That is all my duties are with regard to that. They set them up, so I have to report on them.

Mr. FULTON: May I try one question, which I hope is asking for a statement of fact, and not of policy.

It is under subclause (3). I recognize that it is related to the powers given to the Bank of Canada in the Bank of Canada Act. Can you tell us as a fact what would be the effect of the maximum use of subclause (3) if the Bank of Canada exercised that to the maximum effect? Could you give us an idea in percentage terms of how that would dry up the credit creating facilities of the chartered banks?

Mr. ELDERKIN: It could dry them up quite substantially. You will notice in subclause (3) that a secondary reserve can only take effect under the provisions of subsection (2) of section 18 of the Bank of Canada Act. This provision in the Bank of Canada Act states that it may not put in an initial secondary reserve of higher than six per cent, and it may not increase it in any one month by more than one per cent, from there up, until a maximum of 12 per cent. They may decrease it at any rate they see fit.

Mr. FULTON: They could therefore in theory increase the reserve requirements by over one third, six per cent as compared to 16 per cent.

Mr. ELDERKIN: Actually, the six per cent does not mean very much under present circumstances because the assets which form part of the secondary reserve in practically all cases would be already in possession of the Bank.

The CHAIRMAN: If I may interrupt here, the bell is ringing and it appears that they are calling for a vote. This means that by the time it is taken it will be ten o'clock. I therefore suggest that we adjourn and reconvene at eleven o'clock Thursday. We will sit in the morning and in the afternoon, and perhaps if it meets the convenience of Committee in the evening, and we might even complete this stage.

We will start at that time.

(Translation)

Mr. CLERMONT: Mr. Chairman, may I make a suggestion? When, as was the case this morning, Mr. Elderkin brought in these amendments, could these amendments not be presented in both languages to make it possible for French-speaking members to be able to consider them more easily, particularly where a Government organization is concerned?

The CHAIRMAN: I think you are right. I raised the point this morning. I asked Mr. Elderkin to complete the translation as soon as possible.

Mr. CLERMONT: We should have it at the same time.

Mr. GRÉGOIRE: It would be normal for all documents to be tabled in both languages

Mr. CLERMONT: Let us suppose that a French speaking member does not read English, how can he participate in this matter?

The CHAIRMAN: I entirely agree with you and I have asked Mr. Elderkin to finish the translation as soon as possible.

Mr. GRÉGOIRE: Would you ask all other witnesses to bring their papers in both languages?

The CHAIRMAN: Yes. I declare the meeting adjourned.

APPENDIX "A"

**EXTRACT FROM THE MINUTES OF PROCEEDINGS,
OCTOBER 13, 1966.**

**RESOLUTIONS OF THE STANDING COMMITTEE ON
FINANCE, TRADE AND ECONOMIC AFFAIRS
PERTAINING TO**

Bills C-190, An Act to amend the bank of Canada Act, C-222, An act respecting banks and banking, C-223, An act respecting savings banks in the Province of Quebec.

(a) Organizations or individuals wishing to present briefs in person are required to provide 50 copies in English or French for use of the Committee not later than 12:00 noon, November 1, 1966;

(b) Briefs should be sent to: Miss Dorothy F. Ballantine, Clerk of the Standing Committee on Finance, Trade and Economic Affairs, House of Commons, Ottawa, Ontario;

(c) In order to give members the opportunity of prior study, briefs will be distributed in advance of the appearance of the witness;

(d) At the meeting the witness will be asked to summarize his brief rather than read it in full before the Committee proceeds to questioning;

(e) Briefs shall be regarded as confidential until presented before the Committee; the Clerk, when distributing briefs to the members, will append an instruction stating that the briefs are not to be disclosed to the press or any other medium of communication until presented to the Committee;

(f) The Committee reserves the right to decide whether an organization or individual submitting a brief will be invited to appear or whether his brief will be considered by the Committee simply in written form;

(g) Each brief shall be printed as an appendix to the Minutes of Proceedings and Evidence of the day on which it is presented;

(h) The Committee shall cause to be printed 1500 copies in English and 700 copies in French of the Minutes of Proceedings and Evidence relating to Bills C-190, C-222 and C-223;

(i) The Committee will proceed in three stages:

- (i) explanation and clarification of the legislation by government officials;
- (ii) submissions by associations and individual members of the public who have indicated they intend to submit briefs;
- (iii) detailed examination of the legislation by the Committee and general debate;

(j) A copy of the foregoing resolutions of the Committee shall be sent to each witness at the time that he indicates his desire to appear before the Committee;

(k) The committee shall request authority to engage the services of counsel, accountants, and such other clerical and technical personnel as may be deemed necessary.

APPENDIX "B"

EXHIBIT NO. 1

CHARTERED BANKS

Summary showing fate of all Banks Active at or Incorporated
since July 1, 1867

(1) Bank charters lapsed without use	38
(2) Banks which operated but were later absorbed by other banks ..	35
(3) Banks which operated and later amalgamated	5
(4) Banks which operated but were later placed in liquidation	26
(5) Banks active at December 31, 1965	8

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(2) BANKS ABSORBED—

Purchasing Bank	Year	(a)	Banks absorbed
Bank of Montreal	1903		Exchange Bank of Yarmouth
	1905		Peoples Bank of Halifax
	1907		Peoples Bank of New Brunswick
	1918		The Bank of British North America
	1922		The Merchants Bank of Canada
	(b)	1868	Commercial Bank of Canada
		1925	The Molsons Bank
The Bank of Nova Scotia	1883		Union Bank of Prince Edward Island
	1913		Bank of New Brunswick
	(b)	1901	The Summerside Bank
		1914	The Metropolitan Bank
		1919	The Bank of Ottawa
The Canadian Bank of Commerce	1870		The Gore Bank
	1900		The Bank of British Columbia
	1903		Halifax Banking Company
	1906		Merchants Bank of Prince Edward Island
	1912		Eastern Townships Bank
	1923		Bank of Hamilton
	1928		The Standard Bank of Canada
	(b)	1909	Western Bank of Canada
	(b)	1924	The Sterling Bank of Canada

(a) Dates since 1900 are those of authorizing Order in Council.

(b) Previously absorbed by prior bank in listing.

The Royal Bank of Canada	1910	The Union Bank of Halifax
	(b) 1902	The Commercial Bank of Windsor
	1912	The Traders Bank of Canada
	1917	The Quebec Bank
	1918	The Northern Crown Bank
	(b) 1908	The Crown Bank of Canada
	1925	Union Bank of Canada
	(b) 1911	United Empire Bank
Banque d'Hochelaga (c)	1924	La Banque Nationale
Imperial Bank of Canada	1875	Niagara District Bank
	1931	The Weyburn Security Bank
Consolidated Bank of Canada (d)	1876	City Bank
	1876	Royal Canadian Bank
The Home Bank of Canada (d)	1913	La Banque Internationale du Canada

- (b) Previously absorbed by prior bank in listing.
(c) Name changed to Banque Canadienne Nationale—1924.
(d) Since failed.

(3) BANKS AMALGAMATED

Amalgamated Bank	Year	(a)	Bank Amalgamated
The Toronto-Dominion Bank	1955		The Bank of Toronto The Dominion Bank
Canadian Imperial Bank of Commerce	1961		The Canadian Bank of Commerce Imperial Bank of Canada
	1956	(b)	Barclays Bank (Canada)

(4) BANKS PLACED IN LIQUIDATION

Charter Granted	Cessation of Operations	Name of Bank
1834	1868	Commercial Bank of N. B.
1872	1873	Bank of Acadia
1871	1876	Metropolitan Bank of Montreal
1865	1879	Mechanics Bank
1871	1879	Bank of Liverpool
1875	1879	The Consolidated Bank of Canada
1872	1879	Stadacona Bank
1956	1881	Bank of Prince Edward Island
1871	1883	Exchange Bank of Canada
1872	1887	The Maritime Bank of Dominion of Canada
1873	1887	Pictou Bank
1883	1887	Bank of London in Canada

- (a) Date of authorizing Order in Council.
(b) Previously amalgamated with prior bank in listing.

1883	1887	The Central Bank of Canada
1874	1888	Federal Bank of Manitoba
1884	1893	Commercial Bank of Manitoba
1844	1895	La Banque du Peuple
1872	1899	La Banque Ville Marie
1859	1905	Bank of Yarmouth
1857	1906	Ontario Bank
1901	1908	The Sovereign Bank of Canada
1873	1908	La Banque de St. Jean
1873	1908	La Banque de St. Hyacinthe
1836	1910	The St. Stephens Bank
1904	1910	The Farmers Bank of Canada
1908	1914	The Bank of Vancouver
1903	1923	The Home Bank of Canada

(5) BANKS ACTIVE AT DECEMBER 31, 1965

Charter Granted	Name of Bank
1822	Bank of Montreal
1832	The Bank of Nova Scotia
1855 (a)	The Toronto-Dominion Bank
1861	La Banque Provinciale du Canada
1867 (a)	Canadian Imperial Bank of Commerce
1869	The Royal Bank of Canada
1873	Banque Canadienne Nationale
1953	The Mercantile Bank of Canada

(a) Date of earliest charter of amalgamated banks.

EXHIBIT NO. 2

CHARTERED BANKS

Condensed Statement of Assets and Liabilities
as at December 31, 1954 and 1965
(in millions of dollars)

ASSETS	1954	1965	Increase
Cash and due from banks	1,169	2,935	1,766
Cheques and other items in transit, net	804	775	- 29
Securities of Canada ¹	3,313	3,735	422
Securities of the provinces ¹	264	338	74
Other securities, not exceeding market value ²	853	1,486	633
Day, call and short loans, secured	407	1,177	770
Other loans, including mortgages, less provision for losses ²	4,321	14,125	9,804
Other assets	302	1,304	1,002
	<hr/> 11,433 <hr/>	<hr/> 25,875 <hr/>	<hr/> 14,442 <hr/>
LIABILITIES			
Deposits by Canada and the provinces	367	1,141	774
Deposits by banks	186	1,458	1,272
Canadian personal savings deposits	5,218	9,725	4,507
Other deposits	4,942	11,353	6,411
Other liabilities	199	963	764
Shareholders' equity	521	1,235	714
	<hr/> 11,433 <hr/>	<hr/> 25,875 <hr/>	<hr/> 14,442 <hr/>

¹ Not exceeding market value in 1954; at amortized value in 1965.

Includes direct and guaranteed issues.

² Not strictly comparable owing to reallocation of reserves consequent upon the security valuation change referred to in footnote ¹.

EXHIBIT NO. 3

CHARTERED BANKS

Increases in Rest Account and Paid-Up Capital
During the Financial Years 1954 to 1965 and Totals for Prior Years
(thousands of dollars)

Bank	From Profits	Rest Account From Reserves	From Issue of Capital Stock	Total	Paid-up Capital
Bank of Montreal	29,650	22,500	50,850	103,000	24,750
The Bank of Nova Scotia	16,520	18,500	46,980	82,000	15,000
The Toronto- Dominion Bank ¹	15,200	12,000	34,800	62,000	17,000
La Banque Provin- ciale du Canada	5,450	3,350	6,200	15,000	4,000
Canadian Imperial Bank of Commerce ¹	48,170	78,400	60,430	187,000	29,680
The Royal Bank of Canada	50,488	58,900	82,612	192,000	31,528
Banque Canadienne Nationale	11,800	10,000	16,200	38,000	5,000
The Mercantile Bank of Canada	600	1,400	2,000	8,000
All banks, 1954-1965	177,278	204,250	299,472	681,000	134,958
All banks, prior years	119,010	20,250	115,740	255,000	151,000
	296,288	224,500	415,212	936,000	285,958

¹ Includes figures of amalgamated banks.

EXHIBIT NO. 4

CHARTERED BANKS

Shareholders' Equity at the Financial Year Ends in 1965
(in thousands of dollars)

Bank	Capital Paid up	Rest Account	Undivided Profits	Total Share- holders' Equity	Source of Funds	
					Capital Stock	Profits
Bank of Montreal	60,750	163,000	1,467	225,217	132,639	92,578
The Bank of Nova Scotia	30,000	115,000	860	145,860	100,599	45,261
The Toronto-Dominion Bank ¹	30,000	90,000	6,079	126,079	74,775	51,304
La Banque Provinciale du Canada	9,000	18,000	114	27,114	15,950	11,164
Canadian Imperial Bank of Commerce ¹	69,680	240,000	2,321	312,001	156,435	155,566
The Royal Bank of Canada	66,528	262,000	1,734	330,262	179,513	150,749
Banque Canadienne Nationale	12,000	46,000	778	58,778	31,859	26,919
The Mercantile Bank of Canada	8,000	2,000	8	10,008	9,400	608
Totals	285,958	936,000	13,361	1,235,319	701,170	534,149
Percentage	23.1%	75.8%	1.1%	100.0%	56.8%	43.2%

¹ Includes figures of amalgamated banks.

EXHIBIT NO. 5

CHARTERED BANKS

Location of Shareholders
at financial year ends 1953 and 1965

Country (a)	Number	1953	Number	1965
		Percentage		Percentage
Canada	52,121	76.20	104,393	88.16
Elsewhere in British Commonwealth	11,929	17.44	9,417	7.95
United States and Possessions	3,739	5.47	3,749	3.17
All other countries	608	.89	854	.72
	63,397	100.00	118,413	100.00

Location of Shares
at financial year ends

Country (a)	Number (b)	1953	Number (b)	1965
		Percentage		Percentage
Canada	10,995	72.81	22,612	79.07
Elsewhere in British Commonwealth	2,953	19.56	3,995	13.97
United States and Possessions	1,005	6.66	1,840	6.44
All other countries	147	.97	149	.52
	15,000	100.00	28,596	100.00

(a) Recorded addresses.

(b) Expressed in thousands.

Shareholdings
at financial year ends

Shareholders holding:	Number	1953	Number	1965
		Percentage		Percentage
Less than 500 shares	62,330	91.13	110,632	93.43
500 shares to 999 shares ..	3,477	5.08	4,205	3.55
1,000 shares and over	2,590	3.79	3,576	3.02
	68,397	100.00	118,413	100.00

EXHIBIT NO. 6

CHARTERED BANKS

AVERAGE ASSETS, AVERAGE SHAREHOLDERS' EQUITY,
NET PROFITS AND DIVIDENDS
PAID IN FINANCIAL YEARS 1954 TO 1965
(Amounts in millions of dollars)

Year	Average Assets	Average Share- holders' Equity ¹	Net Profits ²	Dividends to Paid	Net Profits Average Assets	Net Profits to Average Share- holders' Equity	Dividends Paid to Average Share- holders' Equity
	\$	\$	\$	\$	%	%	%
1954.....	10,734.2	465.3	33.0	21.5	.31	7.09	4.62
1955.....	11,815.7	542.2	37.2	26.3	.31	6.86	4.85
1956.....	12,745.8	594.4	42.0	31.9	.33	7.07	5.37
1957.....	13,342.1	677.3	46.6	35.4	.35	6.88	5.23
1958.....	14,587.1	757.5	52.6	40.0	.36	6.94	5.28
1959.....	15,893.3	865.5	59.4	47.6	.37	6.86	5.50
1960.....	16,275.6	954.4	68.6	54.0	.42	7.19	5.66
1961.....	17,461.5	1,022.8	73.3	57.8	.42	7.17	5.65
1962.....	19,377.3	1,075.7	78.9	60.3	.41	7.33	5.61
1963.....	20,470.6	1,114.7	82.9	63.3	.40	7.44	5.68
1964.....	22,269.2	1,149.4	88.0	65.0	.40	7.66	5.66
1965.....	24,352.1	1,181.6	91.7	67.2	.38	7.76	5.69
Average.....	16,610.4	866.7	62.8	47.5	.38	7.25	5.48

¹ Paid-up capital, rest account and undivided profits.

² After appropriations for losses on loans and investments and provision for income taxes.

EXHIBIT NO. 7

CHARTERED BANKS

Classification of Loans in Canadian Currency
at December 31, 1954 and 1965
(Amounts in millions of dollars)

CLASSIFICATION OF BORROWERS ¹	1954 \$	1965 \$	Increase \$	Amounts, 1965 Number ²
1. Government and other Public Services	222.3	865.4	643.1	11,729
2. Investment Dealers and Brokers	211.2	459.1	247.9	832
3. Personal	751.3	3,001.8	2,250.5	2,106,019
4. Farmers	338.5	803.8	565.3	336,153
5. Industry	899.5	2,010.2	1,110.7	32,955
6. Commercial	1,741.3	4,389.3	2,648.0	202,662
Totals ³	4,164.1	11,529.6	7,465.5	2,690,350

¹ Details under respective classifications have appeared in the Bank of Canada Statistical Summary.

² Information not available in 1954.

³ Other than mortgages and hypothecs insured under the National Housing Act, 1954.

EXHIBIT NO. 8

CHARTERED BANKS

Average Rate of Interest and Discount on Loans in Canada¹
During Financial Years 1954 to 1965

	In Canadian ² Currency %	In Other ² Currencies %	%
1954			4.63
1955			4.66
1956			4.92
1957			5.40
1958			5.28
1959			5.51
1960	5.75	5.03	5.72
1961	5.67	4.67	5.64
1962	5.67	4.89	5.62
1963	5.69	4.99	5.64
1964	5.71	4.90	5.64
1965 ³	5.71	5.09	5.65

¹ Excluding mortgages and hypothecs insured under the National Housing Act, 1954.

² Not available prior to 1960.

³ Adjusted to twelve months basis for three banks that changed financial periods in that year.

EXHIBIT NO. 9

CHARTERED BANKS

Deposits liabilities payable to the public¹ in Canada in Canadian currency,
as at September 30, 1954 and 1965

Personal Savings Deposits Accounts Numbers, in thousands	1954	1965	Increase
1. Accountst of less than \$100	4,441	6,865	2,424
2. Accounts of \$100 or over but less than \$1,000.	2,640	3,759	1,119
3. Accounts of \$1,000 or over but less than \$10,000	1,131	1,991	860
4. Accounts of \$10,000 or over but less than \$100,000	47	123	76
5. Accounts of over \$100,000	1	1	0
Total	8,260	12,739	4,479
Other Deposit Accounts of the Public Numbers, in thousands			
1. Accounts of less than \$100	603	1,538	935
2. Accounts of \$100 or over but less than \$1,000	461	1,118	657
3. Accounts of \$1,000 or over but less than \$10,000	229	441	212
4. Accounts of \$10,000 or over but less than \$100,000	39	82	43
5. Accounts of over \$100,000	5	10	5
Total	1,337	3,189	1,852
Deposits Liabilities to the Public Dollars, in millions			
1. Personal Savings Deposits	5,240	9,739	4,499
2. Other Deposits of the Public	3,650	7,328	3,678
Total	8,890	17,067	8,177

¹Deposits liabilities to Canada, the provinces and banks are not included.

EXHIBIT NO. 10

CHARTERED BANKS

Interest rates paid on personal savings deposits in Canada
from January 1, 1924 to December 31, 1965

- January 1, 1924—3% per annum on minimum monthly balance.
- May 1, 1933—2½% per annum on minimum monthly balance.
- November 1, 1934—2% per annum on minimum monthly balance.
- June 1, 1936—1½% per annum on minimum monthly balance.
- March 1, 1939—1½% per annum on minimum quarterly balance.
- December 1, 1953—2% per annum on minimum quarterly balance.
- August 1, 1956—2¼% per annum on minimum quarterly balance.
- September 15, 1956—2½% per annum on minimum quarterly balance.
- February 1, 1957—2¾% per annum on minimum quarterly balance.
- July 1, 1962—3% per annum on minimum quarterly balance.

NOTE (a) The rate of 3% per annum was in effect for many years prior to 1924.
(b) Interest is added to accounts half-yearly in April and October.

EXHIBIT NO. 11

CHARTERED BANKS

Earnings, expenses and additions to shareholders' equity
for financial years 1954 and 1965
(in millions of dollars)

	1954	1965	Increase
CURRENT OPERATING EARNINGS			
Interest and discount on loans	219.3	844.1	624.8
Interest, dividends and trading profits on securities ¹	124.3	259.4	135.1
Exchange, commission, service charges and other current operating earnings	81.9	202.5	120.6
Total Current Operating Earnings	425.5	1,306.0	880.5

¹ Includes realized profits and losses on disposal of securities.

	1954	1965	Increase
CURRENT OPERATING EXPENSES			
Interest on deposits	91.5	524.7	433.2
Remuneration to employees	143.6	311.9	168.3
Contributions to pension funds	13.6	14.1	0.5
Provision for depreciation of bank premises .	9.0	25.1	16.1
Other current operating expenses	63.5	172.1	108.6
Total Current Operating Expenses ...	321.2	1,047.9	726.7
Net current operating earnings	104.3	258.1	153.8
Capital Profits and non-recurring items ²	1.8	0.9	— 0.9
Provisions for losses and additions to inner reserves, net	32.9	— 44.7	— 77.6
Provision for income taxes	— 58.0	— 91.6	— 33.6
Leaving for dividends and shareholders' equity	81.0	122.7	41.7
Of which: Dividends to shareholders	21.5	67.2	45.7
Additions to shareholders' equity.	59.5	55.5	— 4.0

ADDITIONS TO SHAREHOLDERS' EQUITY IN THE TWELVE FINANCIAL YEARS 1954 TO 1965

Undivided profits

From operating earnings, net after trans- fers to rest account	6.8
---	-----

Rest Account

From operating earnings and undivided profits	177.3
From retransfers from inner reserves	204.3
From premium on new shares	299.4

Capital Paid up

From issue of new shares	135.0
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Net addition to shareholders' equity	822.8
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² Includes realized profits and losses on disposal of fixed assets.

EXHIBIT NO. 12

CHARTERED BANKS

Ratio of average annual loss experience to related assets for periods
of twenty-five financial years

Period	Securities ¹	Loans ²	Total ³
	%	%	%
1930-1954	.271	.339	.338
1931-1955	.284	.304	.308
1932-1956	.447	.247	.292
1933-1957	.397	.209	.253
1934-1958	.269	.177	.206
1935-1959	.378	.145	.198
1936-1960	.172	.139	.167
1937-1961	.110	.146	.151
1938-1962	.095	.145	.146
1939-1963	.073	.144	.142
1940-1964	.068	.149	.145
1941-1965	.090	.156	.155

¹ Provision for market valuation of securities other than those of Canada and the provinces. Realized profits and losses are included in operating earnings.

² Losses and provision for losses on loans and letters of credit less recoveries.

³ Includes losses on long foreign currency positions.

EXHIBIT NO. 13

CHARTERED BANKS

Branches at December 31, 1954 and 1965

LOCATION OF BRANCHES	1954	1965	Increase
Alberta	297	457	160
British Columbia	347	580	233
Manitoba	182	271	89
New Brunswick	108	126	18
Newfoundland	45	104	59
Nova Scotia	151	189	38
Ontario	1,417	2,055	638
Prince Edward Island	24	29	5
Quebec	1,254	1,580	326
Saskatchewan	256	317	61
Yukon and North West Territories	8	16	8
	<hr/>	<hr/>	<hr/>
	4,089	5,724	1,635
Outside Canada	119	221	102
	<hr/>	<hr/>	<hr/>
Total	4,208	5,945	1,737

BRANCHES IN CANADA

Bank of Montreal	626	967	341
The Bank of Nova Scotia	416	676	260
The Toronto-Dominion Bank	451(a)	665	214
La Banque Provinciale du Canada	348	369	21
Canadian Imperial Bank of Commerce ..	932(a)	1,336	404
The Royal Bank of Canada	745	1,085	340
Banque Canadienne Nationale	569	619	50
The Mercantile Bank of Canada	2	7	5
	<hr/>	<hr/>	<hr/>
Total	4,089	5,724	1,635

BRANCHES OUTSIDE CANADA

Bank of Montreal	4	12	8
The Bank of Nova Scotia	32	62	30
The Toronto-Dominion Bank	2(a)	3	1
Canadian Imperial Bank of Commerce ..	9	39	30
The Royal Bank of Canada	71	104	33
Banque Canadienne Nationale	1	1	—
	<hr/>	<hr/>	<hr/>
Total	119	221	102

(a) Includes branches of banks later amalgamated under this name.

EXHIBIT NO. 14

CHARTERED BANKS

RULES FOR THE DETERMINATION OF THE INNER RESERVES
FOR THE FINANCIAL YEAR ENDING IN 1965

Issued by the Minister of Finance
pursuant to sections 9 and 11(4) of the Income Tax Act

September 16, 1965

1. *The inner reserves* of a bank, for the purposes of these Rules, include all of its unpublished reserves other than 1) Specific Reserves and 2) Bank Premises Depreciation Reserves.

2. The tax paid reserves of a bank include all its inner reserves upon which the taxes exigible by the Government of Canada have been assessed.

3. *The Contingency Reserves* of a bank include all its remaining inner reserves, and the prescribed aggregate of these reserves, hereinafter referred to as PAR, is an amount equal to 3.480% of the aggregate book value of the assets described in Rule 4, less an amount equal to the total of all specific reserves in respect of these assets up to a maximum deduction of 3.480% of their aggregate book value.

4. *The Assets* referred to in Rule 3 for the calculation of PAR are

(a) *Securities* other than 1) those of or guaranteed by the Government of Canada or a Canadian province, 2) those of or guaranteed by the Government of the United States or the United Kingdom issued for a term of less than one year, 3) shares of capital stock of corporations held for Investment account and 4) securities and shares of a corporation controlled by the bank.

(b) *Loans and Letters of Credit* other than 1) day loans in Canada, 2) those to or guaranteed by the Government of Canada, the United States, the United Kingdom or a Canadian province, 3) those on the security of Canada Savings Bonds at the agreed rate for the issue, including those to employers under a payroll savings plan, 4) those to or guaranteed by other banks, 5) those which are not bearing interest because of a contra deposit, 6) those to municipalities or charitable organizations which are offset by a contra deposit bearing the same rate of interest, 7) those to a corporation controlled by the bank, and 8) mortgages and hypothecs insured under the National Housing Act, 1954.

5. *The Specific Reserves* of a bank include all its unpublished reserves in respect of particular securities, loans, letters of credit and net long foreign exchange positions, that are required to reduce the book values of the relative assets to estimated realizable values.

6. *The Loss Experience* of a bank includes.

(a) in respect of securities, all provisions for specific reserves and reversals of these provisions;

(b) in respect of loans and letters of credit, all losses and recoveries of losses, provisions for specific reserves and reversals of these provisions; and

(c) in respect of long foreign exchange positions, all realized profits and losses, provisions for specific reserves and reversals of these provisions.

The net amount of the annual loss experience is to be transferred to the Contingency Reserves at the end of the financial year and added thereto or deducted therefrom as the case may be.

7. If the total of the Contingency Reserves, after making the transfer pursuant to Rule 6, is greater than PAR at the end of a financial year, the surplus is to be deducted from the Reserves and added to the taxable income of the financial year.

8. If the total of the Contingency Reserves, after making the transfer pursuant to Rule 6, is less than PAR at the end of a financial year, any part of the deficiency may be extinguished by a transfer from the taxable income of the financial year.

NOTE: Under these Rules the aggregate of all Contingency Reserves as at the 1965 financial year ends would have amounted to \$418.6 millions if all the banks had been holding the permitted maximum amount. Actual reserves held amounted to approximately 75 per cent of the permitted.

APPENDIX C

*Proposed Amendments**Clause 11(3)*

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out lines 43 and 44 on page 7 thereof and substituting therefor the following:

“scription, give his post office address, and this shall appear in the stock books in connec-”

Clause 12(1)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 22 on page 8 thereof and substituting therefor the following:

“poration as the place where the head office of the bank is to be situated, at such time and at”

Clause 12(3)

That Bill C-222, An Act respecting Banks and Banking, be amended

- (a) by striking out the word “and” in line 37 on page 8 thereof, and
 - (b) by striking out line 40 on page 8 thereof and substituting therefor the following:
 - (d) “meeting of the shareholders, and appoint two persons having the qualifications specified in subsection (1) of section 63, but not being members of the same firm, to be the auditors of the bank until the first annual general meeting of the shareholders,”
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Clause 26

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out lines 10 and 11 on page 17 thereof and substituting therefor the following:

“meeting of directors, and a summary thereof for a period of twelve months ending not earlier than sixty days before the notice showing the total”

Clause 29

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out lines 13 and 14 on page 18 thereof and substituting therefor the following:

“current loans to any person that included in the latest return made by the bank to the Minister under section 103 and the aggregate amount of which exceeds one-tenth of one per cent of the”

Clause 33

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 51 on page 20 thereof and substituting therefor the following:

“fix a date, not earlier than the thirtieth day after the day on”

Clause 35

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out lines 40 and 41 on page 21 thereof and substituting therefor the following:

“give his post office address and this shall appear in the stock books in connection with”

Clause 51(1)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 15 on page 27 thereof and substituting therefor the following:

“mission in accordance with the claim; but nothing in this subsection shall be construed to prevent the bank from refusing to record or give effect to a transmission until there has been delivered to the bank such documentary or other evidence of or in connection with the transmission as it may deem requisite.”

Clause 52

That Bill C-222, An Act respecting Banks and Banking, be amended

(a) by striking out line 32 on page 27 thereof and substituting therefor the following:

“right, but does not include an official or corporation per-”;

(b) by striking out the word “or” in line 51 on page 28 thereof and by striking out paragraph (f) on page 29 thereof and substituting therefor the following:

“(f) both shareholders are agents of Her Majesty in right of Canada or officials or corporations performing on behalf of Her Majesty in such right a function or duty in connection with the administration, management or investment of any fund or moneys referred to in clause (B) of subparagraph (i) of paragraph (a) of subsection (1);

(g) both shareholders are agents of Her Majesty in right of the same province or officials or corporations performing on behalf of Her Majesty in right of that province a function or duty in connection with the administration, management or investment of any fund or moneys referred to in clause (B) of subparagraph (i) of paragraph (a) of subsection (1); or

(h) both shareholders are associated within the meaning of paragraphs (a) to (g) with the same shareholder.”; and

(c) by striking out line 41 on page 29 of the Bill and substituting therefor the following:

“virtue of paragraph (h) of subsection (2) by”.

Clause 53

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 21 on page 30 thereof and substituting therefor the following:

“of a share of the capital stock of the bank to any person, including, without restricting the generality of the foregoing, an official or corporation mentioned in clause (B) of subparagraph (i) of paragraph (a) of subsection (1) of section 52,”

Clause 54(3)(c)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 21 on page 33 thereof and substituting therefor the following:

“(c) an official or corporation administering, managing or investing”

Clause 56(7)(b)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 21 on page 38 thereof and substituting therefor the following:

“(b) an official or corporation administering, managing or investing”

Clause 60(2)(c)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out paragraph (c) of subclause (2) of clause 60 thereof and substituting therefor the following:

“(c) a statement of accumulated appropriations for losses of the bank for the financial year, showing the information in the form specified in Schedule P and such additional information and particulars as in the opinion of the directors are necessary to present fairly the amount of appropriations available to meet losses other than those for which specific provisions have been made.”

Clause 63(12)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out subclause (12) of clause 63 thereof and substituting therefor the following:

“(12) The auditors shall make a report to the shareholders on the statement of assets and liabilities, the statement of revenue, expenses and undivided profits and the statement of accumulated appropriations for losses of the bank to be submitted by the directors under section 60.”

Clause 63(13)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out lines 45 and 46 on page 43 thereof and substituting therefor the following:

"end of the financial year, its revenue, expenses and undivided profits for the year and its accumulated appropriations for losses for the year, and shall include such"

Clause 64

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out subclauses (6) to (9) of clause 64 thereof and substituting therefor the following:

Salary and status of inspector.

"(6) The Inspector shall be paid a salary fixed by the Governor in Council on the recommendation of the Minister and shall be an officer of the Department of Finance, but the provisions of the *Public Service Employment Act* do not apply to him.

Borrowing from banks.

(7) The Inspector and any person temporarily performing the duties of the Inspector shall not borrow money from a bank unless he has first informed the Minister in writing of his intention to do so.

Officers and employees.

(8) Such other officers and employees as are necessary for the proper conduct of the duties of the Inspector shall be appointed in the manner authorized by law."

Clause 75(4)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out lines 49 to 52, inclusive, on page 52 thereof and substituting therefor the following:

"real or immovable property in Canada comprising existing buildings that are used, or buildings in the process of construction that are to be used, to the extent of at least one-half of the floor space thereof, as private dwellings either by the owners or by lessees under leases for terms of at least one month, other than loans or advances made or guaranteed under any Act of the Parliament of Canada other than this Act, shall not exceed the lesser of"

Clause 76(2)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 16 on page 54 thereof and substituting the following:

"(1); and any such shares in excess of the maximum number prescribed by this subsection, owned by the bank at the coming into force of this Act, shall be sold or disposed of before the first day of July, 1971."

Clause 77(2)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out the words and figures "in any financial year of the bank commencing after the 31st day of October, 1966," in lines 38 and 39 at page 55 thereof.

Clause 77(5) and (6)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out subclauses (5) and (6) of clause 77 at page 56 thereof and substituting the following:

Issue date.

"(5) The bank shall not issue bank debentures dated more than sixty days before the date of the issue of the debentures; but this subsection does not apply to a debenture issued in exchange for or in replacement of one that has the same stated maturity and that is not then being redeemed or paid.

Limit on bank debentures.

(6) The bank shall not issue bank debentures if, as a result of the issue, the aggregate principal amount of its bank debentures outstanding that have a stated maturity after the end of the financial year of the bank in which the issue is made, would exceed the lesser of

- (a) an amount equal to one-half of the total of the paid-up capital stock and rest account of the bank at the time of the issue; or
 - (b) the amount obtained by multiplying the total of the paid-up capital stock and rest account of the bank at the time of the issue by the number of financial years of the bank completed after the 31st day of October, 1965, and dividing the product obtained by ten."
-

Clause 91(9)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 14 on page 76 thereof and substituting therefor the following:

"subsections (2) to (8) and sections 92, 112 and 151 expire on the fifteenth"

Clause 97

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 24 on page 80 thereof and substituting therefor the following:

"the transmission in accordance with the claim; but nothing in this section shall be construed to prevent the bank from refusing to give effect to a transmission until there has been delivered to the bank such documentary or other evidence of or in connection with the transmission as it may deem requisite."

Clause 101(4)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out lines 43 to 45, inclusive, on page 82 thereof and substituting therefor the following:

"resolution carried by not less than two-thirds of the votes cast by the shareholders present in person or represented by proxy at the meeting, the"

Clause 122(2)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out lines 11 to 22, inclusive, on page 90 thereof and substituting therefor the following:

Under other proceedings.

"months.

(3) In the event of proceedings being taken under any Act for the winding-up of the bank in consequence of the insolvency of the bank, any calls on shareholders made thereafter shall be made in accordance with such Act.

Forfeiture.

(4) Failure on the part of a shareholder to pay any call referred to in this section when due constitutes a forfeiture by the shareholder of all claim in or to any part of the assets of the bank; but the call and any further call thereafter is recoverable from him as if no forfeiture had taken place."

Clause 150(c)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 35 on page 98 thereof and substituting therefor the following:

"otherwise authorized by an Act of the Parliament of Canada."

Clause 157(2)

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out line 13 on page 101 thereof and substituting therefor the following:

"against this Act; but this subsection does not apply where such use is required by law and is confined to a statement contained in a prospectus that a corporation is the holder of shares of the capital stock or evidences of indebtedness of a bank."

Clause 162

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out clause 162 thereof and substituting the following:

Coming into force.

"162. (1) This Act, except sections 52 to 57 and section 158, shall come into force on the 1st day of December, 1966.

(2) Sections 52 to 57 and section 158 shall come into force on the 1st day of February, 1967."

Schedule A

That Bill C-222, An Act respecting Banks and Banking, be amended by inserting at the end of Schedule A thereof, under the appropriate headings, the following:

"Bank of Western Canada, Banque de l'Ouest Canadien, \$25,000,000, \$10 Winnipeg"

Schedules M, N, O, P and Q

That Bill C-222, An Act respecting Banks and Banking, be amended by striking out Schedules M, N, O, P and Q thereof at pages 112 to 117, inclusive, and substituting therefor the following Schedules:

SCHEDULE M

(Section 103)

Return of Assets and Liabilities
of the Bank
as at 19 .

(In thousands of dollars)

ASSETS

1. Gold coin and bullion\$
2. Other coin in Canada
3. Other coin outside Canada
4. Notes of and deposits with Bank of Canada
5. Government and bank notes other than Canadian
6. Deposits with banks, in Canadian currency
7. Deposits with banks, in currencies other than Canadian
8. Cheques and other items in transit, net
9. Treasury bills of Canada, at amortized value
10. Other securities issued or guaranteed by Canada maturing
within three years, at amortized value
11. Securities issued or guaranteed by Canada not maturing
within three years, at amortized value
12. Securities issued or guaranteed by a province, at amortized
value
13. Securities issued or guaranteed by a municipal or school
corporation in Canada, not exceeding market value
14. Securities of other Canadian issuers, not exceeding market
value
15. Securities of issuers other than Canadian, not exceeding
market value
16. Mortgages and hypothecs insured under the National Housing
Act, 1954
17. Day, call and short loans to investment dealers and brokers,
in Canadian currency, secured

LIABILITIESSUPPLEMENTARY INFORMATION

Controlled banking corporations whose assets and liabilities are included in this return

SCHEDULE N

(Section 60(2)(a))

Statement of Assets and Liabilities
of the Bank
as at October 31, 19 .

ASSETS

- 1. Cash and due from banks\$
- 2. Cheques and other items in transit, net
- 3. Securities issued or guaranteed by a province, at amortized value
- 4. Securities issued or guaranteed by a province, at amortized value
- 5. Other securities, not exceeding market value
- 6. Day, call and short loans to investment dealers and brokers, secured
- 7. Other loans, including mortgages, less provision for losses ..
- 8. Bank premises at cost, less amounts written off
- 9. Securities of and loans to a corporation controlled by the bank
- 10. Customers' liability under acceptances, guarantees and letters of credit, as per contra
- 11. Other assets

\$

LIABILITIES

- 1. Deposits by Canada\$
- 2. Deposits by a province
- 3. Deposits by banks
- 4. Personal savings deposits payable after notice, in Canada, in Canadian currency
- 5. Other deposits
- 6. Advances from Bank of Canada, secured
- 7. Acceptances, guaranteed and letters of credit
- 8. Other liabilities
- 9. Accumulated appropriations for losses
- 10. Debentures issued and outstanding
- 11. Capital paid up
- 12. Rest account
- 13. Undivided profits

\$

NOTE: Titles should be deleted where there are no amounts to be reported thereunder. Omit cents.

SCHEDULE O

(Section 60(2)(b))

Statement of Revenue, Expenses and Undivided Profits
of theBank
for the financial year ended October 31, 19.....

Revenue

Income from loans\$
Income from securities
Other operating revenue

Total revenue

Expenses

Interest on deposits and bank debentures
Salaries, pension contributions and other staff benefits
Property expenses, including depreciation
Other operating expenses, including provision for losses on
loans based on five-year average loss experience

Total expenses

Balance of revenue

Appropriation for losses

Balance of profits before income taxes

Provision for income taxes relating thereto

Balance of profits for the year

Dividends

Amount carried forward

Undivided profits at beginning of year

Transfer from accumulated appropriations for losses

Transferred to Rest account

Undivided profits at end of year\$

NOTE: Titles should be deleted where there are no amounts
to be reported thereunder. Omit cents.

SCHEDULE P

(Section 60(2)(6))

Statement of Accumulated Appropriations for Losses of the Bank for the financial year ended October 31, 19.....			
1. Accumulated appropriations at beginning of year			
General	Tax-paid	Total	\$
2. Appropriation from current year's operations			
3. Loss experience on loans less provision included in other operating expenses			
4. Profits and losses on securities, including provisions to reduce securities other than those of Canada and a province to values not exceeding market			
5. Other profits, losses and non-recurring items, net			
6. Provision for income taxes			
7. Transferred to undivided profits			
<hr/>			
8 Accumulated appropriations at end of year			
General	Tax-paid	Total	\$
<hr/> <hr/>			

NOTE: Titles should be deleted where there are no amounts
to be reported thereunder. Omit cents.

SCHEDULE Q

(Section 106)

Return of Revenue, Expenses and Other Information
of the Bank
for the financial year ended October 31, 19.....
(In thousands of dollars)

Revenue

- 1. Income from loans\$
- 2. Income from securities
- 3. Other operating revenue

- 4. Total revenue

Expenses

- 5. Interest on deposits and bank debentures
- 6. Salaries, pension contributions and other staff benefits
- 7. Property expenses, including depreciation
- 8. Other operating expenses, including provision for losses on
loans based on five-year average loss experience

- 9. Total expenses

Supplementary Information

- 10. Provision for income taxes
- 11. Dividends to shareholders
- 12. Loss experience on loans, securities and other investments less
provision included in other operating expenses

- 13. Leaving for shareholders' equity and accumulated appropri-
ations for losses

- 14. Capital contributions from shareholders

- 15. Net additions to shareholders' equity and accumulated appro-
priations for losses

- 16. Allocated to:
 - Undivided profits
 - Rest account
 - Capital paid up
 - General appropriations
 - Tax-paid appropriations

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 18

THURSDAY, OCTOBER 27, 1966

Respecting

Bill C-190, An Act to amend the Bank of Canada Act.
Bill C-222, An Act respecting Banks and Banking.
Bill C-223, An Act respecting Savings Banks in the Province of Quebec.

WITNESSES:

C. F. Elderkin, Inspector General of Banks; Dr. P. M. Olivier,
Parliamentary Counsel; J. W. Ryan, Department of Justice.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Addison,
Basford,
Cameron (*Nanaimo-
Cowichan-The
Islands*)
Cashin,
Chrétien,
Clermont,
Coates,

Comtois,
Davis,
Flemming,
Fulton,
Gilbert,
Irvine,
Lambert,
Lamontagne,

Langlois (*Mégantic*),
Leboe,
Lind,
McLean (*Charlotte*),
Monteith,
More (*Regina City*),
Munro,
Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, October 27, 1966.

(29)

The Standing Committee on Finance, Trade and Economic Affairs met at 11:10 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Addison, Cameron (*Nanaimo-Cowichan-The Islands*), Clermont, Comtois, Davis, Fulton, Gilbert, Gray, Irvine, Lambert, Lind, McLean (*Charlotte*)—12.

Also present: Messrs. Grégoire and Thompson.

In attendance: Messrs. C. F. Elderkin, Inspector General of Banks; P.M. Ollivier, Parliamentary Counsel; and J. W. Ryan, Director of Legislation Section, Department of Justice.

The Committee resumed consideration of Bill C-222, An Act respecting Banks and Banking.

Dr. Ollivier answered a question raised at an earlier meeting respecting jurisprudence on definitions of "farm" and "farmer".

Mr. Ryan answered questions raised at an earlier meeting regarding the term "the business of banking" as used in clauses 6, 13 and 14.

The witnesses were questioned.

Mr. Elderkin resumed explanation of the clauses of the Bill, and was questioned.

At 12:55 p.m. the Committee adjourned until 3:45 p.m. this day.

AFTERNOON SITTING

(30)

The Committee resumed at 3:50 p.m., the Chairman, Mr. Gray, presiding.

Members present: Messrs. Addison, Cameron (*Nanaimo-Cowichan-The Islands*), Clermont, Comtois, Flemming, Fulton, Gilbert, Gray, Irvine, Lambert, Lind, McLean (*Charlotte*)—12.

Also present: Messrs. Grégoire and Thompson.

In attendance: The same as at the morning sitting.

Mr. Elderkin continued with the explanation of the clauses of Bill C-222, and the witnesses were questioned.

At 5:35 p.m. the Committee adjourned until 8:00 p.m. this day.

EVENING SITTING

(31)

The Committee resumed at 8.10 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Addison, Cameron (*Nanaimo-Cowichan-The Islands*), Clermont, Comtois, Gilbert, Gray, Irvine, Lambert, Lind, McLean (*Charlotte*), More (*Regina City*)—11.

Also present: Mr. Thompson.

In attendance: The same as at the morning sitting with the exception of Dr. Ollivier.

The Chairman read into the record an extract from the Seventh Report of the Standing Committee on Public Accounts as printed in *Votes and Proceedings* of October 26, 1966, which commented on indirect compensation to chartered banks. (See *Evidence*).

Mr. Elderkin commented on the report, and was questioned.

Mr. Elderkin continued and concluded his explanation of Bill C-222, and the witnesses were questioned.

The Chairman stated that the Governor of the Bank of Canada will appear before the Committee next week to explain the provisions of Bill C-190, An Act to amend the Bank of Canada Act. Present plans are that the Committee will sit on Tuesday and Thursday, November 1 and 3, 1966.

On motion of Mr. Addison, seconded by Mr. Clermont,

Resolved,—That the Committee sit on Monday evening, in addition to the scheduled meetings on Tuesday and Thursday.

At 10:00 p.m. the Committee adjourned until Monday, October 31, 1966 at 8:00 p.m.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, October 27, 1966.

The CHAIRMAN: I think we will begin by asking Dr. Ollivier to make some comments on some of the legal questions asked.

We also have with us Mr. Ryan, of the Department of Justice, who was connected with the drafting of the legislation, and who will also be telling us something about these points. Dr. Ollivier?

Dr. P. M. OLLIVIER (*Parliamentary Counsel*): Mr. Chairman, at the last meeting I was asked if there is any jurisprudence on the definitions of "farm" and "farmer". I am afraid that the answer is not very satisfactory, because there is no such jurisprudence except, perhaps, under the Farmers' Creditors Arrangement Act, not under the Bank Act. There was a case, which is reported in the Western Weekly Reports for 1940, in the case in re Beck where, in the headnote, I find that they said that the onus is on the person who seeks to avail himself of the benefits of the said act to prove that he is a farmer within the meaning thereof, and that the court had inherent jurisdiction to entertain the motion. I am afraid that he is not very helpful.

Also, the word "farmer" has been defined in English courts as follows: A farmer is one who cultivates his own land, or that of another, for his own profit; he is not, as such, a tradesman nor, though he do the labour with his own hands, is he a labourer. I am not quoting the cases. I do not think it would be very useful.

The CHAIRMAN: They are very old English cases, I would guess, from the words used.

Dr. OLLIVIER: Yes. One goes back to 1864.

In view of the stated intention of the act that efficient producers should be kept on the land, I feel that the word "farmer", as used in the Act, refers to one who runs the land for his own profit and does not refer to a hired man who tills the land only, and does not receive the profit from the operation, or suffer the loss in the event of a crop failure.

There is not much in Canadian cases; there is, perhaps, a little more in American cases. However, I would start by giving a definition that is given in Bouvier's Law Dictionary, where it is said: Every lessee for life, or years, although it be but of a small house and land, is called "farmer". This word implies no mystery except it be that of "husbandman". In common parlance, and as a term of description in a deed, "farmer" means one who cultivates a farm whether he owns it or not. There may also be a farmer of the revenue, or of other personal property, as well as of land.

With regard to a definition of "farm", it is: A portion of land used for agricultural purposes, either wholly in part; a body of land, usually under one ownership, devoted to agriculture either to the raising of crops or pasturage, or

both; it is not understood to have any natural relation to, or to be circumscribed by, political subdivisions; a farm may consist of any number of acres, of one-quarter section or less, or many quarter sections; of one field or many fields; it may lie in one township and county, or in more than one; it is usually the chief message in a village, or town, whereto belongs a great domain of all sorts; a large tract or portion of land taken by a lessee under a yearly rent payable by the tenant.

From this latter sense is derived its common modern signification of a large tract used for cultivation, or other purposes, as raising stock, whether hired or owned by the occupant including a messuage with out-buildings, gardens, orchard, yard, extra.

In American law the word is almost exclusively this latter meaning of a portion of land used for agricultural purposes, either wholly or in part.

As I said if there is little jurisprudence in Canadian courts, there is much more in American courts, but I would not want to make any but a short statement on it.

The *Corpus Juris*, for instance, under the word "farm", has the whole derivation and history of this word from ancient Saxon times up to now. It defines "farm" in its comprehensive meaning, and in its indefinite meaning, as "cultivated land" and an "estate".

For instance, it defines "farm" as: A tract of land under one control, or forming a single property devoted to agriculture, stock raising, dairy produce, or some allied industry; a tract of ground cultivated, or designed for cultivation, by a farmer; a parcel or tract of land consisting usually of grassland, meadow, pasture, tillage and woodland, cultivated by one man, usually owned by him in fief; a plot or tract of land devoted to the raising of domestic or other animals, such as a chicken farm or a fox farm; a piece of ground devoted by its owner to agriculture; a body of land usually under one ownership devoted to agriculture, either to the raising of crops, or pasture, or both; an indefinite quantity of land, some of which is cultivated, whether it is large or small, isolated or made up of many parcels, for a farm may be of any size, of any shape, of any boundaries, and may include less than one lot or comprise several lots or parts of lots.

As regards the definition of "farmer," the word has a well-recognized meaning, and has been defined as: A person engaged in the business of cultivating land, or enjoying it for the purpose of husbandry; a man who cultivates a considerable tract of land in some one of the usual recognized ways of farming; one who is devoted to the tillage of the soil; a person engaged in the tillage of the soil; a tiller of the soil; one who tills the soil; one who resides on a farm with his family, cultivating such farm, and mainly deriving his support from it; one who owns and resides on a farm; one who directs the business of the farm and works at farm labour; one who cultivates a farm either as owner or lessee; an agriculturist; a cultivator; a husbandman.

It has been decided, as chief occupation, that a farmer is one who resides on a farm with his family, cultivating such farm and mainly deriving his support from it, although he is also the publisher of a weekly newspaper and the proprietor of patent medicines.

There have also been decisions distinguishing and comparing the words "herder", "planter", "truckman", "tiller of the soil" and "labourer". As I said

before, the decisions are quite numerous but do not seem to apply to the present case, and those that I have summarized seem to be sufficient for your purpose.

I think it has probably discouraged you from trying to put into the act a definition of "farm" or "farmer".

The CHAIRMAN: Thank you very much, Doctor.

Mr. Ryan, do you have any preliminary comments on any of the points of a legal nature that were raised in our hearings earlier this week? I am not calling upon you to make any if you do not feel it is appropriate just now, but if you have some you have the opportunity.

Mr. J. W. RYAN (*Legislative Section, Department of Justice*): Could I be directed Mr. Chairman, to the one that you particularly have in mind?

With regard to the difficulty with the words "farm" and "farming", I think Dr. Ollivier has done far better than I could do.

I might point out on that score, however, that it is necessary in a statute to define "farming" or "farm" to some extent, because the term is very, very vague. The cases usually revolve around the use of a word in a given statute, or in a given law.

The reference I have goes back to an act of 1677 in England, where it was being attempted to determine whether a farmer fell within a group of tradesmen, artificers or labourers; so that the word has given trouble for many, many centuries. That is the reason there is an effort to define it for the purposes of this act.

I think you may have been having some difficulty with the use of the term "business of banking" in Clause 6 and the use of "business" in Clauses 13 and 14. The purpose of Clause 6 was first set out in this form in 1954, and it differed from the previous provision which was a cancellation, or a guillotine, of the corporate charter at the end of a ten-year period. The new provision deals with it in a different way by prohibiting the carrying of the business of banking, whatever that may constitute.

The "business of banking"—banking as such—if you refer to a dictionary you will find that you run around in circles, because it is "the business of a banker", and then a banker "carries on banking".

The cases are not much more helpful. The *Encyclopedia Britannica*, in talking about what constitutes a commercial bank, says that it is an institution that may make loans and provide a means of payment by the transfer of deposits from one account to another, but the most distinctive and significant feature is the power to create credit by lending sums larger than those which have been deposited in actual cash with them.

If one wants to come down to perhaps a core for the term, that might be it. However, it was noted in *re Bergethaler and Waisenam*, in a Manitoba Court in 1949, in *Western Weekly Report*, 323, that the activities carried on by chartered banks in 1949 in Canada appeared to constitute the following: receiving money on deposit, paying depositors by cheque or drafts on the bank to the amount of deposits, and holding government and bank notes and coin for deposit; discounting commercial paper for its customers, dealing in exchange and in gold and silver bullion and coin; collecting notes and drafts deposited; arranging credits for itself with banks in other towns, cities and countries; selling its drafts or cheques on other banks and banking correspondents; issuing letters of

credit, and lending money to its customers on the customers' notes by way of overdraft and on bonds, shares and other securities.

The business of a chartered bank, it was also noted in that case, was still a bit wider than that because of the powers under the Bank Act.

Just from a pure drafting point of view the expression "business of banking" in (6) might not include any other type of business carried on by the corporation—speaking of a body corporate now—but it would definitely have to stop its business of banking at the expiration of the period set out therein.

The approval to commence the business of banking, which is given by the Governor in Council, is whatever appertains to that business by definition, I would suggest. However, some, at least, of the other activities of the bank, in the use of the term "business" in a general sense, as an activity of the corporation, would have been commenced before this approval. The issuing of shares, the taking of money for shares and the preliminary organization work of the corporation would have been commenced before the approval, but the business of banking cannot commence by the terms there, if that is the intention.

Clause 14, subsection 1 might very well have read: "commence the business of banking", because it is related to 13; it is talking about the approval. I do not think there can be any doubt, from reading the two sections together, that the "approval" relates to the approval to commence the business of banking.

I do not know whether I have answered your question.

Mr. LAMBERT: Well one of the difficulties I have with this is the relationship of the near banks, who claim that they are not carrying on the business of banking because they do not carry on the whole package of banking; that they carry on certain functions thereof. If they thereby escape the definition of "banks" by saying that they are not carrying on that package of business, then I would think it is arguable, in reverse, that any of the corporate chartered banks could carry on individual parts of the business they are doing after the expiry date, as defined in Section 6; because then it cannot be said that they are carrying on the business of banking.

We are, to me, caught in a sort of an illogicality because of the lack of precision in defining what is "banking", and that it perhaps arises only now as a result of present day conditions.

Mr. RYAN: It was stated in the *Bergethaler* case that banking is not an exact legal term, but a loose popular one, including the activities of those who popularly are called bankers.

To go further and confuse the issue more, it was also pointed out that in distinguishing banking from other businesses probably the real test is whether money is received subject to withdrawal by cheque, and whether the business is openly held out to the world as that of a banker and taken by the public as such.

However, to define "banking" for the purpose of this bill is very much like lifting yourself up by your shoe straps, because we are confined to banking under the B.N.A. Act. I do not think we could add to, or extend, the meaning of that term by a statute.

The CHAIRMAN: At the same time, a point which might be in the air, so far as the committee is concerned is whether, as a result of what you have

suggested, someone could escape the act completely by calling themselves an office rather than a bank, or a businessman rather than a banker, and do all the things, or any of them, that you have mentioned in the definition in that case.

Mr. RYAN: They would have to acquire incorporation if they were going to do it as a corporate body; and then we come into the powers to incorporate—whether it resides in a provincial or federal body. They could not acquire incorporation under the Canada Incorporations Act, because the business of banking is prevented from that. Under a provincial incorporation we are either *ultra vires* or *intra vires* in the provincial competency.

Mr. LAMBERT: Well, Mr. Chairman, Mr. Ryan is fully cognizant of the situation regarding the treasury branches of the province of Alberta. From your own personal experience, as counsel with the Attorney General's department there, and of the operations of those concerns, even in their actual advertisements they hold themselves out as providing the services of banks plus a few others.

This is where I am finding it extremely difficult to see why there cannot be a definition of "banking".

Mr. RYAN: Mr. Chairman, may I attempt to reply?

The CHAIRMAN: We do not expect you to get into the policy areas.

Mr. RYAN: No, I will stay away from that.

In so far as the treasury branches are concerned I have not read the most recent decision which I understand has been handed down in Alberta on that point. However, the treasury branches, whatever they do there, I suggest they must be doing under some authorizing statute. I think you would have to look to the statute to see whether it was *ultra vires* or not. Banking, as such, as an activity, does not appear to be prohibited by any valid legislation. Again, this is going back to the Bergethaler case, where it was said that organizations other than chartered banks may lawfully carry on many of the activities of a banking business. Some of the activities will be proper. The activity of banking, as such—as an activity—is not prohibited by statute.

The CHAIRMAN: To what level did the Bergethaler case go as far as appeal is concerned?

Mr. RYAN: Just in Manitoba; a Manitoba appeal.

Mr. THOMPSON: Mr. Chairman, the fundamental difference in this legislation, in so far as the hard core definition of what is considered to be a bank, centres on the fact that banks, in so far as this legislation is concerned, are those organizations which have the authority to expand reserves. The reserve requirements which are outlined in this act are those which are required of an organization that we think of in the strictest terms as a bank. Does this not go back to the root origin of the word, which refers to the original keepers of gold. Is this not the distinguishing feature of banks under this legislation.

The CHAIRMAN: Mr. Thompson, I hope you are not expecting me to give a definitive answer at this point? I think you have raised a very useful point in so far that at this stage we are engaged in a preliminary discussion to make us better able to deal with our other—

Mr. THOMPSON: Mr. Lambert is talking specifically about the Alberta treasury branch whereas you can talk about trust companies, you can talk about

many other business organizations which are carrying on many of the functions and operations of banks, without this authority. They have no authority to expand their reserves, they are not required to hold certain reserves as this legislation requires of the chartered banks.

The CHAIRMAN: I think, Mr. Thompson, you have made a very useful suggestion in so far as definition is concerned. Actually I should ask Mr. Lambert whether he is finished with his phase, because I had noted Mr. McLean next. Well, Mr. Thompson next and then Mr. Cameron.

Mr. THOMPSON: I was just supplementing these remarks.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I just wanted to ask a question of Mr. Ryan. He was saying that there is no statutory prohibition of banking outside the Bank Act. Did I understand you correctly?

Mr. RYAN: No, I did not say outside the Bank Act. I said that there is no statute that prohibits banking, as such.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Well, I do not quite remember but I thought that in the B.N.A. Act—in the delegation of powers to the federal government—the word “banking” was used.

Mr. RYAN: That is right, sir. “Banks” and “Banking” and “the incorporation of banks.”

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Does that not at least delimit the—

Mr. RYAN: That assigns the jurisdictional area of the legislatures, and the Parliament of Canada has jurisdiction over banking.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would not that imply that unless an individual, or a corporation, has the authority of the Parliament of Canada it cannot enter into the business of banking.

Mr. RYAN: So far as the body corporate is concerned that would be clearly so, because of the incorporation of banks. You would have to have an incorporation for that purpose and that would be within Parliament’s jurisdiction. Therefore, no province for instance could legislate for the incorporation of banks.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are you implying that if an individual decided to go into the banking business he could go over the whole range of it without getting a bank charter?

Mr. RYAN: I doubt if he would push that far.

The CHAIRMAN: The fact is, though, Mr. Ryan, that the way this act is drafted it does not specifically say “No persons shall carry on the business of banking without the expressed consent of the federal government”.

Mr. FULTON: The banks shall not; it does not say “No persons shall—”

The CHAIRMAN: I am just raising this as a point of interest for our future consideration.

I presume also that in so far as the test of the legality of what any individual, or any body corporate, may do in what might be considered banking, can only be determined if it was brought up in some court. The fact that there

is no prohibition does not necessarily mean that it is legal, in the broad sense of that term.

Mr. RYAN: Not necessarily; it would depend on the authority under which it is carried out—whether that is valid or not.

Mr. FULTON: Take the traditional type of continental European merchant bank today who frequently is not incorporated. It would be rather difficult if they came over here, would it not, and started to do a banking business, because we do not have a definition of “banking”, and in statute says that no one shall carry on this business unless incorporated, or has a charter under this act.

The CHAIRMAN: Mr. Elderkin, did you want to make a comment at this point.

Mr. ELDERKIN: The act only prohibits the use of the words “bank”, “banker”, or “banking”, as we come to it later on in the sections, and it does not prohibit the carrying on of the business of banking, as long as the word is not used.

Mr. FULTON: In theory, then, somebody could open up the business of a merchant banker, and not use the word—not incorporated—but carry on the banking business, because there is no statute which says that only those who are incorporated under this act shall carry on the business of banking, is there?

Mr. ELDERKIN: There is nothing in this act which says that someone else cannot carry on the business of banking; it only prohibits them from using the word. That is correct. I follow your point, Mr. Fulton.

I think probably you would find that, in general accepted terms, there are quite a number of people or institutions that may be said to be carrying on the business of Banking in Canada but not using the word.

Mr. FULTON: Are they under your—

Mr. ELDERKIN: Some privileges they do not have.

Mr. FULTON: Are they in any way under your jurisdiction? Do you seek, or do they invite you, to inspect them?

Mr. ELDERKIN: Some of these trust companies who may be carrying on part of the business of banking are under the supervision of superintendent of insurance.

The CHAIRMAN: The federal superintendent of insurance?

Mr. ELDERKIN: Yes, the federal superintendent of insurance.

Mr. FULTON: Yes; but that is by the virtue of the statutes.

An hon. MEMBER: May I ask a question?

The CHAIRMAN: Well, if you want to yield, Mr. Fulton, otherwise I would recognize Mr. Davis.

Mr. DAVIS: I would like to ask one of the witnesses what function, or functions, can a chartered bank, incorporated under the laws of Canada, carry out which cannot now be carried out by the treasury branches in Alberta? Is there a function, or functions, which the treasury branches cannot carry out?

The CHAIRMAN: What about the clearing system?

Mr. ELDERKIN: At the present time the treasury branches in Alberta are what one might call associate members of the clearing system. They clear through a member of the clearing system.

Mr. CLERMONT: Like the Caisse Populaire?

Mr. ELDERKIN: Like the Caisse Populaire.

Mr. DAVIS: What is the answer? They cannot what? What is the function which they cannot perform?

The CHAIRMAN: I gather that rather than being full members of the clearing house system, for exchange of cheques and so on between the various banking members of the system, they are not full members. They must—

Mr. DAVIS: —go through an intermediary.

The CHAIRMAN: An intermediary bank member. Am I correct in summarizing the problem that way?

Mr. DAVIS: If they go through an intermediary they can perform the functions.

Mr. ELDERKIN: That particular function, Mr. Davis, yes. They pay a fee for getting their cheques cleared through the clearing system.

Mr. DAVIS: Then, with that exception and the costs, let us say, of having to pay a fee for a service which the chartered banks will provide, within their own corporate entity they can perform all the functions which chartered bank can perform.

Mr. ELDERKIN: I frankly do not know all the powers of the Alberta treasury branches, so I could not tell you if they were performing all the functions. I think it depends entirely on their charters.

Mr. DAVIS: I fail to see any real advantage in a federal incorporation.

Mr. ELDERKIN: There are a lot of advantages in a federal incorporation. For instance, you get the benefit of Section 88. The chartered banks are, really, through the central bank, the credit producers in the system, so long as the central bank functions in that way.

Mr. DAVIS: The chartered banks, because they are required to keep a certain portion of their funds with the central bank, are more credit-worthy? Is that what you are saying—that they have a higher credit rating?

Mr. ELDERKIN: No.

The CHAIRMAN: In any event, the treasury branches do not have the same access to the Bank of Canada as the chartered banks.

Mr. ELDERKIN: That is right. They cannot borrow from the central bank. This depends on the charter. I could not answer that question because I have not read the charters of these. Mr. Ryan says they operate as a department of the Alberta government.

Mr. DAVIS: Mr. Elderkin, in the old days these banks issued their own currency. That was a privilege. Would you explain what happened when that privilege was taken away from them. What took its place?

Mr. ELDERKIN: They do not have the privilege any more. They have to purchase currency from the central bank.

Mr. McLEAN (*Charlotte*): What did they get to take its place? They must have gotten some advantage.

Mr. ELDERKIN: They got nothing to take its place. They had to turn over their liability for any unpaid currency issued in their name and still outstanding. They had to pay to the central bank for that and the central bank accepts the liability for those outstanding notes. From then on the banks have not issued directly on their own, but rather they purchase notes from the central bank as legal tender.

Mr. McLEAN (*Charlotte*): In 1932 the commercial banks brought in about \$500 million in credit, and it was said afterwards that if there had been a central bank at that time the crash would not have been so bad. What would the central bank's operation be in a case of that kind?

Mr. ELDERKIN: You are really getting out of my field, Mr. McLean, but the central bank can expand credit if it sees fit to do so.

Mr. McLEAN (*Charlotte*): It does it with the commercial bank.

Mr. ELDERKIN: That is through the commercial banks.

Mr. McLEAN (*Charlotte*): And the other near banks do not have that advantage.

Mr. ELDERKIN: That is right.

The CHAIRMAN: Perhaps we can pursue this interesting and important area further through other witnesses if we seem to have exhausted our immediate questions in this area.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Could I ask another question following on what Mr. Davis was asking him.

Provided that the Alberta treasury branches and the other organizations, such as the caisse populaire and the credit unions in the rest of Canada, are able to make an arrangement with a chartered bank and thereby gain access to the clearing house facilities, are there any of the functions of a bank which they might perform on which you would have to take some action respecting a contravention of the Bank Act?

Mr. ELDERKIN: The only contravention of the Bank Act, Mr. Cameron, that would occur is if they used the word bank, banker or banking.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That has nothing to do with what they do.

Mr. ELDERKIN: At the present time.

The CHAIRMAN: Mr. Irvine and then Mr. Thompson.

Mr. IRVINE: I realize this is a term which is being used. I do not mean officially, but what do we define in our discussions as near banks? How sweeping is this? I know there is nothing officially on it.

Mr. ELDERKIN: You are right. There is nothing official about the term "near banks" at all. I think it is particularly applied to institutions such as trust companies, perhaps, who are taking money on deposit which is repayable by order or cheque.

Mr. IRVINE: Trust companies, loan and savings companies, people of this type, who would be under provincial charters.

Mr. ELDERKIN: Some of them are under federal and some are under provincial.

Mr. IRVINE: Would there be any advantage in our considering bringing this group in under our Bank Act?

The CHAIRMAN: I think you are asking Mr. Elderkin a policy question, which I would ask you to defer until we have some other people here who are responsible in that field.

Mr. IRVINE: Yes.

Mr. McLEAN (*Charlotte*): That would be impossible if they had a provincial charter.

The CHAIRMAN: Yes. I think Mr. Thompson has a question.

Mr. THOMPSON: I would like to ask this question. Suppose it came to your attention that the *caisse populaire* or the treasury branches were loaning money beyond the value of their deposits and you came to check up and you found that they had loaned money to an extent where they only had 8 per cent reserves in their safes. What action would you take then? You say you have no jurisdiction over them.

Mr. ELDERKIN: We have no jurisdiction over them, nor do I examine them. This would never come to my attention, except indirectly.

Mr. THOMPSON: Then, why is it that these near banks are very careful to always maintain a 100 per cent reserve?

Mr. ELDERKIN: I would not be able to comment on that statement. I just wonder if they do.

The CHAIRMAN: Mr. McLean?

Mr. McLEAN (*Charlotte*): Well, I was seeking an answer.

The CHAIRMAN: I do not know if the answer you request is, strictly speaking, within Mr. Elderkin's line of responsibility.

Mr. THOMPSON: It has been said that anyone could go out and start a banking business, and if there is no control over these near banks in the matter of lending money, then it is true that anyone can go out and start a bank. We do not have to have a banking chairman.

An hon. MEMBER: We had an example of that in Atlantic Acceptance.

The CHAIRMAN: This is something we might consider when we get into the stage of our proceedings where we are contemplating amendments or changes, or adoption as it stands, of the present legislation.

Mr. FULTON: It would be interesting to see if Mr. Elderkin or perhaps Mr. Ryan, has an answer to this question. In your opinion, was the Atlantic Acceptance Corporation carrying on a business that could have been described as banking?

Mr. ELDERKIN: No, I believe not, Mr. Fulton. They were not normally in short term borrowing. They did not carry on a chequing business. They would not have fallen into that category under any definition that we have today.

Mr. THOMPSON: They wrote cheques without having any money in the account.

Mr. FULTON: They would not, in your view, have fallen within any of the presently accepted definitions of banking. Is that what you say?

Mr. ELDERKIN: I think not.

The CHAIRMAN: But the British Mortgage and Trust—

Mr. ELDERKIN: The British Mortgage and Trust—

The CHAIRMAN: Yes.

Mr. FULTON: They were a trust company under a provincial incorporation.

Mr. McLEAN (*Charlotte*): They were mixed up with people who did that.

Mr. ELDERKIN: They were separate legal entities.

The CHAIRMAN: If we have exhausted for the moment our preliminary discussion by way of seeking information on these legal points we touched on during earlier hearings, we might proceed from where we left off.

Mr. GRÉGOIRE: Mr. Chairman, may I ask a question. Mr. Elderkin, would you see any objection to including in this act a complete definition of banking business and operations?

Mr. ELDERKIN: Mr. Grégoire, I suggest that is a policy question.

Mr. GRÉGOIRE: That is a policy question.

Mr. DAVIS: Mr. Chairman, I believe I asked what functions a near bank, for example, was denied performing, and my impression of the answer was that there were no functions that were denied them. It could go through an intermediary and take advantage of the clearing house, for example. It is denied a resource, in the sense that it has not got access to the Bank of Canada. That was a distinction but that is not a function. It is denied the resource of being able to go to the Bank of Canada.

Mr. ELDERKIN: Mr. Davis, what I wished to say was that it would depend on their charter as to what functions they carried out. In most cases, if not all, the only function that they perform which seems to transgress on banking is the acceptance of short term deposits that are transferable by cheque. I would not want to make a dogmatic answer to your question because it would depend on their charters and everything else.

Mr. DAVIS: I am simply left with the impression that the so-called near banks can perform virtually all, if not all, the functions of a bank.

Mr. ELDERKIN: A great many of the trust companies and loan companies cannot because they are limited by the powers in their charters. For instance, borrowing limits; Both trust companies and loan companies have liability limits in their charters.

The CHAIRMAN: Or in their enabling legislation.

Mr. ELDERKIN: Yes, I should say in their enabling legislation.

Mr. DAVIS: But the enabling legislation in some cases is certainly broad enough.

Mr. ELDERKIN: The trust companies do not think so.

The CHAIRMAN: In so far as this legislation is provincial, as to whether or not that is within the provisions of the British North America Act, it can only be determined through tests in the courts, which have not really occurred to any great extent.

Mr. LIND: Are the near banks given all the clearing privileges the banks are given?

Mr. ELDERKIN: I think I answered that a few minutes ago, Mr. Lind. The near banks are not given the privilege of clearing as members of the clearing house. They clear through members on a fee basis. The standard charge, if I am correct in this, is 5 cents per item.

Mr. DAVIS: Who are the members of the clearing house?

Mr. ELDERKIN: The members of the clearing house are the chartered and savings banks.

Mr. DAVIS: Only federally incorporated.

Mr. ELDERKIN: Only banks are members of the clearing house at the present time.

Mr. GILBERT: Do they also pay a fee for clearing?

Mr. ELDERKIN: They pay a different type of fee because they pay the expenses of the clearing house on a formula basis, which I do not have in front of me at the present time.

Mr. DAVIS: Is there any substantial difference between the fees that would be paid by a near bank and the order of magnitude of the expense or costs of the chartered banks?

Mr. ELDERKIN: I could not answer that, Mr. Davis, you would have to talk to some person who is competent to answer.

The CHAIRMAN: Mr. Davis, this is a very useful question to hold until we have members of the Canadian Bankers Association with us who, in effect, run the clearing house system.

Mr. FULTON: But, Mr. Elderkin, it is a fact that a lot of the trust companies have been carrying on this function for generations. They are not entering into a field new to them in doing it, are they?

Mr. ELDERKIN: Some of the oldest trust companies have only within the last five, or a maximum of ten years gone into the chequing business.

The CHAIRMAN: I think this would be a useful time to return to where we left off on Tuesday, reviewing the provisions of the act by way of explanation and clarification. I think we had been dealing with the clauses on reserves.

Mr. ELDERKIN: We had finished that, but I would like to correct some evidence that I gave. I misunderstood the question asked by Mr. Grégoire which was this: If the cash reserve of a bank stays at the same figure but the rate of reserve drops, would this not result in an increase in deposits. Of course it would. Another question you asked was what the loss experience was in the past year. I tried to quote from memory but I am afraid my memory was rather faulty because I think I quoted .236 per cent and it was really .291 per cent of related assets. With those corrections I think we were finished with clause 72.

Mr. GRÉGOIRE: To complete the first part of the answer you just gave me, if the reserves stay at the same level and the cash ratio is down from 8 per cent to 6.6 per cent, that would allow the banks to increase deposits. Where will the money come from for that increase?

The CHAIRMAN: Mr. Grégoire, I suggest that even though the subject of reserves is in the Bank Act, I think you may agree on reading it over that in a sense it pertains almost entirely to the activities of the Bank of Canada rather than the inspector general of banking.

Mr. GRÉGOIRE: Well, he is inspecting the banks. If the deposits are increasing I would like to know where the money is coming from.

The CHAIRMAN: That is why, after we finish our preliminary review of the Bank Act, we are going to have Mr. Rasminsky and his colleagues who, I am sure, would enjoy very much dealing with technical questions.

Mr. GRÉGOIRE: All right, Mr. Chairman, I will wait for Mr. Rasminsky.

Mr. FULTON: On the matter of secondary reserve in clause 72, this is a new provision, is it not?

Mr. ELDERKIN: Yes. I do not know whether you were here when I explained that, Mr. Fulton. In the Bank of Canada Act there is a provision for a secondary cash reserve which the Bank of Canada may impose. This is being eliminated altogether in the amendments to the Bank of Canada Act, which you will see later on. For the past several years there has been a voluntary agreement between the banks and the Bank of Canada to maintain a secondary reserve in assets of the type mentioned here. This provision is being put into the act at the present time and it is on a standby basis, Mr. Fulton, it is not necessarily an imposition. The Bank of Canada may use it or they may not, as they see fit.

Mr. FULTON: Did not the Porter report recommend against secondary reserves?

Mr. ELDERKIN: I believe it did. It said they did not think they were necessary. I think the Bank of Canada thinks otherwise.

Mr. FULTON: In effect, they would amount to an enforced investment, would they not?

Mr. ELDERKIN: At the present time they would not be any different than the situation that exists—

Mr. FULTON: By the voluntary agreement.

Mr. ELDERKIN: —by the voluntary agreement. They are practically the same. As a matter of fact, they may be less, because the voluntary agreement—

Mr. FULTON: As distinct from an enforced deposit, the secondary reserve really is an enforced investment, is it not?

Mr. ELDERKIN: Yes. In short term security and treasury bills and other short term assets that are mentioned there.

Mr. FULTON: Do you feel yourself qualified to answer this question or should I reserve it: Do they, in fact, contribute anything to the effectiveness of monetary policy?

Mr. ELDERKIN: I can only say that the Bank of Canada feels very definitely they could under certain circumstances.

Mr. FULTON: But a detailed discussion of that should be reserved?

The CHAIRMAN: I would suggest that, Mr. Fulton. We do not want to deprive Mr. Rasminsky and his colleagues of all their opportunities for enjoying themselves here.

Mr. FULTON: At least we could get some other independent opinion.

The CHAIRMAN: I think we can now move on the clause 73. Are there any comments?

Mr. ELDERKIN: There is no change in clause 73. It is just the normal prohibition on issue of notes and the arrangements for redeeming them in other countries.

In clause 74 the only change of any importance is that the bill would provide that the destruction of old records be permitted after 15 years rather than 20 years. This does not, of course, carry over to shareholders' registers, it only carries over to the ordinary ledgers and other records of the bank.

Mr. LAMBERT: Why is the change being made?

Mr. ELDERKIN: The change is principally being made because of volume. This has become terrific. The banks have warehouses now to store their old records. They would like to cut down on this volume and have made a presentation to this effect. Normally this would likely have no effect, because the only case where it could be invoked is in the case of a lawsuit.

Mr. LAMBERT: That is the reason for it at any time. The fact that there is a massive pile up of records, does that in any way derogate from the necessity of maintaining records for purposes of litigation?

Mr. ELDERKIN: Only on the experience over the past 10 or 12 years, that 15 years would still be ample for any cases that would arise in that time.

Mr. LAMBERT: I understand some of the powers exist in the Income Tax Act.

Mr. ELDERKIN: The powers of the Income Tax Act would not override the possible destruction of records here.

Mr. LAMBERT: No, but what I am talking about is that under the Income Tax Act in certain cases they can go back to the year anno Domini, when one would want records.

Mr. ELDERKIN: That is right.

The CHAIRMAN: Mr. Lind, did you have a question?

Mr. LIND: Yes. In providing this 15 year limit, does this cover dead accounts? What happens to them at the end of 15 years?

Mr. ELDERKIN: No. After an account has been dormant for a period of nine years it is reported to the government, the Department of Finance, and the details are published in the *Canada Gazette*. We will have an amendment on that later on but that is the situation at present. After they have been unclaimed or dormant for a period of ten years they are paid to the Bank on

Canada. The banks transfer these accounts to the Bank of Canada. After they have been dormant for a further 20 years in the Bank of Canada, items under \$10 are prescribed and paid into the Consolidated Revenue Fund. There is also an amendment in the Bank of Canada Act to raise that period to 25 years because the total amount claimed over the past 12 or more years in the bracket between \$10 and \$25 was only about \$600 and the number of accounts, I think, which they are carrying at the present time is about 185,000.

Dormant accounts never accrue to the benefit of the bank; anything over \$10 and later \$25, will be kept in perpetuity by the Bank of Canada. Anything under \$25, if the amendment to the Bank of Canada Act is passed, will be paid only after 30 years to the Consolidated Revenue Fund and prescribed.

(Translation)

Mr. GRÉGOIRE: With regard to Section 73, you say that once bills have been issued for circulation in a country other than Canada, the bank to redeem them at par, but yet we see on the bill: The Bank of Canada will pay to the bearer on demand"...I have here a ten dollar bill, for example, where you can read: will pay to the bearer on demand, ten dollars". If it is not the Bank of Canada who pays ten dollars to me, the bearer, who will it be?

(English)

Mr. ELDERKIN: Mr. Grégoire, you will find an amendment to the Bank of Canada Act which is presently before the committee on your point.

The CHAIRMAN: If we have finished with Mr. Lind's question, perhaps you could proceed to the next section.

Mr. ELDERKIN: Section 75, is a very important section, Business and Powers of a Bank.

The only major change, actually, in section 75(1) is to permit the banks, in effect, to lend on any type of security including mortgages, which was prohibited before. Section 75(1) has been redrafted to some extent, it is partially taken from the old section 78(1) in the present act, but the main change is that the banks may lend on immovable property as well as on movable property.

(Translation)

Mr. CLERMONT: Mr. Chairman, it is specified in Section 75, paragraph (c) that "no such security is effective in respect of any personal or movable property that at the time the security is taken is, by any statutory law that was in force on the first day of July 1923, exempt from seizure under writs of executive..."

(English)

Mr. ELDERKIN: I did not get the translation.

(Translation)

The CHAIRMAN: Would you please repeat the question?

(English)

Mr. CLERMONT: I understand banks are allowed to loan money except under statutory law—

Mr. ELDERKIN: There was an interruption, Mr. Chairman, and I could not hear.

The CHAIRMAN: It seems there was some distraction and it was difficult for Mr. Elderkin to hear everything you have in mind.

(Translation)

Mr. CLERMONT: In Section 75, paragraph one, subsection (c), just about at the end, we can read that "no such security is effective in respect of any personal or movable property that, at the time the security taken is, by any statutory law that was in force on the first day of July 1923, exempt from seizure under writs of execution..." In other words the bank cannot make any loans under those circumstances.

The CHAIRMAN: You want to find out why that date was mentioned?

Mr. CLERMONT: Yes, if there is some explanation?

(English)

Mr. ELDERKIN: I understand your question now. This has been in the act ever since 1923. It is taken from section 78(1) of the act, because at that time apparently there were some provincial laws which governed securities of that kind and this was an exception which would not allow the bank to override provincial law.

Mr. LAMBERT: I presume this would be like, for instance, in the province of Alberta where there is an exemptions act which permits any form of seizure, regardless of what it is, except for the unpaid balance of the purchase price of that particular type of asset. There are statutory limits for goods which cannot be seized.

Mr. ELDERKIN: Yes, I think that is right, Mr. Lambert. I think it refers particularly to household property and tools of trade; assets for the purpose of earning a living, if I remember correctly.

The CHAIRMAN: Yes, the poor debtor does not have to give up his bed and his chair, his hammer and saw, and that sort of thing.

Mr. ELDERKIN: And his cow.

The CHAIRMAN: Yes, and his cow.

Mr. LAMBERT: This consideration of section 75, is this not a detailed definition of the business of banking?

The CHAIRMAN: Mr. Ryan, would you like to begin on that one?

Mr. RYAN: Mr. Chairman, I think it might be more accurate to say that it is the powers of the corporation whose charter is dealt with under this statute.

Mr. LAMBERT: But I come back to that; the public concept of the idea of the business of banking is that business which is carried on by the chartered banks. They carry out the business which they are empowered to do under section 75. Then to reinforce this view you have subsection (1)(e), which says: "engage in and carry on such business generally as appertains to the business of banking." In other words, there is a basket clause.

Mr. RYAN: I suggest, Mr. Chairman, that it is an enumeration of powers, including the definition of banking.

Mr. FULTON: Those powers taken together, though, constitute the business of banking.

Mr. RYAN: In a very loose sense it might be considered popularly as banking, but there is a difference between the popular sense and the legal sense, I suggest, when you go back to the constitutional position of "banking".

The CHAIRMAN: Mr. Elderkin, perhaps you could clarify a point for me. You mentioned that the major change, I presume, in subsection (c) is that the bank can take security on immovable property by way of mortgage. Is it intended that this permits the banks to take this type of security on commercial transactions?

Mr. ELDERKIN: On any kind of transactions. We will come to this mortgage provision later on, Mr. Chairman, but it permits them under certain circumstances to accept mortgages on any type of transaction.

The CHAIRMAN: Until now they could do so only by way of additional or collateral security?

Mr. ELDERKIN: Only by way of additional security.

The CHAIRMAN: Do you have any further comments on section 75?

Mr. McLEAN (*Charlotte*): Is there any limit to the time of the mortgage that the bank takes?

Mr. ELDERKIN: No, Dr. McLean, but may I suggest that we will come to the mortgage clause very shortly and maybe we could discuss it at that time.

The CHAIRMAN: It would, perhaps, be more orderly.

Mr. LIND: There is mention under subsection (1) of section 83 that the bank has certain privileges to lien. What type of lien can they apply which will put them in a preferred position over ordinary creditors?

Mr. ELDERKIN: Possibly this is more in Mr. Ryan's field than mine, but if they have a registered lien on any asset I presume they would be preferred with respect to the realization of that asset.

Mr. LIND: Does the lien which is registered first have preference over any other lien?

Mr. OLIVIER: There might be a conflict there, I think, with provincial jurisdiction, which enumerates the liens which can be taken. I think that was probably put in the Bank Act to prevent this preference given by provincial legislation to provincial liens. In a case of conflict, I imagine that the federal jurisdiction, on account of the ancillary power of banks and banking, would be preferred to the provincial lien.

The CHAIRMAN: I also make the suggestion that perhaps it may be useful, since there is a reference to specific type of lien under section 83, that we hold off any further questions on liens until we get to that section.

I will recognize Mr. Davis, Mr. Clermont and then Mr. Lambert.

Mr. DAVIS: I would like to ask Mr. Elderkin which of the powers listed under clause 75 are not available to the treasury branches in Alberta?

Mr. ELDERKIN: Mr. Davis, I cannot answer what the treasury branch powers are, quite frankly; it is a department of the Alberta government. I am not in a position to answer your questions as to what actions they take.

The CHAIRMAN: I think it may be useful if as Chairman, I make some inquiries as to whom we might summon before us or invite to appear before us to inform us more fully about the operations of the treasury branches or similar bodies. Miss Ballantyne, if you will make a note of that, we will pursue it through the steering committee.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is this really relevant to Mr. Davis's question. It may be the treasury branches are circumscribed in their activities due to some Alberta legislation. As I gathered it, the purport of Mr. Davis's question was, if there was no such limiting provincial legislation, are there any functions set out here that they could not perform?

The CHAIRMAN: The question was quite in order, I just had the feeling that Mr. Elderkin's own range of knowledge was not sufficient to answer it.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): This brings it within his range of knowledge. Given a treasury branch that is not circumscribed in its activities by provincial legislation, is there any function set out here in clause 75 that they could not perform?

The CHAIRMAN: Do you feel you can deal with it in that sense. Mr. Elderkin?

Mr. ELDERKIN: I would much rather if Mr. Ryan would deal with it. I am not quite sure, Mr. Chairman. I do not see any reason, quite frankly, if there are no limitations on the powers of the treasury branches, why they could not do perhaps any of the things that are named here.

Mr. FULTON: So long as they do not call it banking.

Mr. ELDERKIN: So long as they do not call it banking.

(*Translation*)

Mr. GRÉGOIRE: Mr. Chairman, couldn't we say that the great difference resides in the fact that in branches of the Treasury in Alberta one cannot increase the cost simply on the basis of the monetary reserve, on nothing else?

The CHAIRMAN: This is an interesting suggestion and comes under the general definition.

(*English*)

Mr. ELDERKIN: Again the translation was off in the final part of the question. I would ask you to repeat it.

(*Translation*)

Mr. GRÉGOIRE: Could we say that the great difference between the branches of the Treasury in Alberta and chartered banks is in the fact that only chartered banks and not branches of the Treasury can increase their loans and their deposits without any other guarantee whatsoever than the condition of keeping a percentage of the monetary reserves?

(*English*)

Mr. ELDERKIN: Again, I do not know, Mr. Chairman. I am not competent to answer about the treasury branches so I do not think it is a question which falls within my purview.

The CHAIRMAN: I must apologize to Mr. Davis; actually I should not have recognized Mr. Grégoire without seeing if he would yield to a supplementary question. Actually you have the floor. Have you concluded your questions?

Mr. DAVIS: Yes, except I still have the impression that the near banks, say of the nature of the Alberta treasury branch operations, can perform every one of these functions or in effect can have every one of these powers.

The CHAIRMAN: Next on my list I have Mr. Clermont.

(Translation)

Mr. CLERMONT: Mr. Chairman, with regard to clause 75, paragraph 4, (a) and (b) with regard to limits on residential mortgages, could the Inspector-general give us some explanations?

(English)

Mr. ELDERKIN: Yes, Mr. Clermont. I must at this time state I am very sorry that the proposed amendments have not yet been translated. As soon as we get them I will see that they are distributed to the members but we just could not get the translation through in time for you. But if you will look, Mr. Clermont, at the amendments which I gave you yesterday, you will find under Clause 75(4) an amendment which is meant to define what are residential mortgages. This was without doubt something that needed clarification and the amendment we are proposing is the one that we, by consultation between justice and the counsel for the banks, feel would cover the definition of residential mortgages.

(Translation)

Mr. CLERMONT: But without unduly taking up the Committee's time, Mr. Elderkin, would it not be possible to give some explanations with regard to paragraphs (a) and (b) of paragraph (b) with regard to the percentage?

(English)

Mr. ELDERKIN: The reason for that, Mr. Clermont, was the Royal Commission on Banking and Finance suggested that the banks be not permitted to get into residential mortgage lending too rapidly. It was suggested it might have a very serious impact on the other lenders in the country if this happened. The result was that this formula was worked out, really, to meet that suggestion by the royal commission.

(Translation)

The CHAIRMAN: One moment, please, I have recognized Mr. Lambert and then you, Mr. Grégoire.

(English)

Mr. LAMBERT: Strictly in relation to this, is any of the lending that has been carried on by the chartered banks under the National Housing Act say up to five or six years ago, included now in the amount indicated?

Mr. ELDERKIN: There is no limit on N.H.A. loans, Mr. Lambert; none whatsoever.

Mr. LAMBERT: No limit?

Mr. ELDERKIN: There is no limit on N.H.A. loans.

Mr. LAMBERT: Oh, yes, I am sorry, that is other than—

Mr. ELDERKIN: Other than, and the same thing applies in the amendment. It says they are exempted.

Mr. LAMBERT: N.H.A. is—

Mr. ELDERKIN: N.H.A. is out altogether.

Mr. LAMBERT: Strictly out, all right.

Mr. ELDERKIN: Also, might I say we are now in the amendment clearing up a matter which was of some legal doubt, whether a bank could buy an N.H.A. mortgage which carried a rate of interest higher than permitted by the Bank Act at that time. We have legal opinions both ways on this one and we just thought we would clarify it.

Mr. LAMBERT: Yes, now this deals with non-N.H.A. Would you mind explaining 3(b) on page 52.

Mr. ELDERKIN: This comes from the old act, actually, the present act, for the most part. The question arises if a bank purchased securities directly from an issuer, whether the bank is making a loan or not. This is again a clarification to say that this is not a loan. This is the reason for it, Mr. Lambert.

Mr. LAMBERT: Well, this will allow a bank to invest in mortgage bonds issued by commercial corporations.

Mr. ELDERKIN: This was in the 1954 act, Mr. Lambert. There is no change; it simply is put in a new place here, that is all, just to tidy up.

Mr. LAMBERT: I have a question related to this. Do I take it that the prohibition under 75(2)(d) on a loan to an employee of a bank is still caught even though the loan may be made on residential accommodation under the National Housing Act? In other words, a bank employee wants to purchase a home that is to be financed under the National Housing Act where the mortgagee shall be the bank and they will require specific permission as indicated in 75(2)(d)?

Mr. ELDERKIN: No, I think I am right in this and Mr. Ryan may clear my mind on it but I think that the National Housing Act says "notwithstanding any other act."

The CHAIRMAN: I suppose the employee could always go to another bank.

Mr. ELDERKIN: Oh, yes, he can always go to another bank. Sometimes they do too.

Mr. LAMBERT: No, but what I am thinking of is that—

Mr. ELDERKIN: I think the National Housing Act overrides for that particular type of mortgage.

The CHAIRMAN: Mr. Ryan do you have any supplementary comment on this?

Mr. RYAN: Just to comment that (d) is divided into two parts: Subclause (i) which requires the consent for an amount over \$5,000 and subclause (ii) where it goes to \$25,000, so that it might work out for a mortgage loan. But not beyond \$25,000.

Mr. LAMBERT: Well, it is very conceivable today for a manager to want to buy a house on which the mortgage financing would exceed \$25,000. At today's values that is easy to do.

Mr. RYAN: It is quite likely that he would be required to go to another bank under this prohibition so far as that bank of which he is an employee is concerned.

Mr. LAMBERT: Notwithstanding that it would be financed under the terms of the National Housing Act?

Mr. RYAN: I would like to have that act here. But to say that that act overrides this one on that particular point might be carrying the overriding prohibition too far. This is a particular prohibition.

The CHAIRMAN: Perhaps, Mr. Ryan, you might make a note of that and there may be other points come along that we may ask you to tell us about?

(Translation)

Mr. Grégoire, do you have any more questions regarding this matter?

Mr. GRÉGOIRE: Yes, on clause 75, paragraph one, sub-section one, paragraph B reads as follows: "acquire, deal and discount, etc." and further on: "gold and silver coin and bullion and securities". When we examine the balance sheets of banks there is no specific clause as to reserves of gold of chartered banks except perhaps, the one item called "assets" and which in 1966 is one billion four hundred million. In your inspection of the banks, Mr. Elderkin, have you ever noted what part of their assets was held in gold or silver bullion, or gold coins? Are there any such gold reserves held by the banks, as part of their assets?

(English)

Mr. ELDERKIN: Well, they are not reserves, Mr. Grégoire. They are mentioned in the assets of the bank, yes, as an asset.

Mr. GRÉGOIRE: Where?

Mr. ELDERKIN: In the monthly statement of assets and liabilities in asset 1.

The CHAIRMAN: That they have to file with you?

Mr. ELDERKIN: It is filed with the minister every month.

Mr. GRÉGOIRE: Can we know what amount they have?

Mr. ELDERKIN: They are published in the *Canada Gazette*, Mr. Grégoire. This statement is published in the *Canada Gazette*.

Mr. GRÉGOIRE: I have seen only the regular annual statement. It is not published in it.

Mr. ELDERKIN: Yes, it is published in the *Canada Gazette* every month.

Mr. GRÉGOIRE: May I know what is the total amount of gold now?

Mr. ELDERKIN: Well the gold is not separated in here, the gold and coin—

Mr. GRÉGOIRE: That is what I meant.

Mr. ELDERKIN: —amounts to \$67 million. The gold and coin in Canada and gold and coin outside of Canada amount to \$1.6 million. Incidentally, you will

find that when we come to the amendments to the similar schedules in the act, we do separate this out.

The CHAIRMAN: Do you have any further explanatory comments on Clause 75? Oh, I am sorry, Mr. Davis?

Mr. DAVIS: One further question on Clause 75, (5) dealing with a director and what a director is precluded from doing, which reads, "A director shall not be present or vote at a meeting of the board during the time at a meeting when a loan or advance to himself or to a firm of which he is a member or a corporation of which he is a director is under consideration," and so on. I am thinking specifically of a situation which conceivably could occur in British Columbia. I am thinking of Mr. Gunderson and Mr. Mearns who at this moment at least are executive officers of the British Columbia Hydro and Power Authority. Were they to remain in those positions would they as directors of the new Bank of British Columbia have to absent themselves when a loan was being considered first to the British Columbia Power and Hydro Authority?

Mr. ELDERKIN: That is right.

Mr. DAVIS: Would they have to absent themselves as the loan was being considered to the government of British Columbia or to any of its other agencies?

Mr. ELDERKIN: To any agencies of which they were officers.

Mr. DAVIS: But not to the government of British Columbia?

Mr. ELDERKIN: No, because they are not officers of the government of British Columbia. That is a very old section, incidentally; it has been in the act since the thirties and maybe before.

Mr. DAVIS: In other words, because Mr. Gunderson is both an executive officer of the British Columbia Hydro and the Pacific Great Eastern Railway which is another crown agency in the right of British Columbia, he would have to absent himself only when loans to either of those two agencies were being considered by the Bank of British Columbia?

Mr. ELDERKIN: That is right.

Mr. DAVIS: But not if a loan was being considered to the British Columbia Poll Authority or to the province itself?

Mr. ELDERKIN: I think in a strict interpretation that is right.

Mr. FULTON: You know of the situation with Mr. Gunderson, he has been a director of the Bank of Commerce for some time.

Mr. ELDERKIN: Yes.

The CHAIRMAN: Do the banks have little waiting rooms to which the directors go?

Mr. ELDERKIN: Oh, yes they have comfortable chairs outside.

The CHAIRMAN: Are you finished Mr. Davis?

Mr. DAVIS: Yes, I am finished.

The CHAIRMAN: I think Mr. Grégoire is next, then.

(Translation)

Mr. GRÉGOIRE: A supplementary question to the one I asked just a while ago. We come to a total of 67 million in gold in Canada but when you make your inspection, do you have separate items as to the amount of gold and the amount of coin? In other words, what is the value in gold that the chartered banks have at the present time?

(English)

Mr. ELDERKIN: You can obtain this information any time you want it Mr. Grégoire. The coin, of course, is Canadian coin. A large part of this gold, is gold in safekeeping, with certificates issued against it.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It would be included in some part of their assets?

Mr. ELDERKIN: Oh, yes, it is part of their assets.

The CHAIRMAN: Mr. Lambert?

Mr. LAMBERT: With respect to section 6, I am reminded of clauses in some provincial legislation governing insurance. I recall the insurance act of the province of Alberta where there is a much more stringent prohibition of any mortgage insisting upon the direction of the insurance, and that if there is any requirement as a condition of the mortgage that the insurance in one company shall be cancelled and placed with another the whole mortgage transaction may be voidable and also the mortgagee lays himself open to a charge in the courts. I have had to defend in this regard.

Mr. ELDERKIN: I hope successfully.

Mr. LAMBERT: I am wondering if you have bumped up against any acts of this kind and where there actually would be a conflict. But nothing, shall we say, in this subsection precludes the bank from requiring such insurance to be placed with an insurance company approved by it.

Mr. ELDERKIN: Well, the routine here, Mr. Lambert, is that the bank will ask the borrower what insurance company they want to use and they never, as far as I have ever heard, turn down any reputable insurance company. This is the only provision they make, namely that they insure in a first class company, that is all. They do not select the company for the borrower normally, at all. I would not say that sometimes the borrower would not possibly ask the bank for advice on the matter but I know cases where the bank has given them four or five companies to select from.

Mr. LAMBERT: Well, I am assuming perhaps—

Mr. ELDERKIN: This goes back, incidentally, if I may interject, to 1934. The amendment, I think, goes back to 1934, when there was evidence that there was pressure being brought to bear to place insurance through agencies which were closely connected with the bank.

Mr. LAMBERT: Yes, well, I remember two or three years ago when we were discussing amendments to the Trust Companies Act I raised this same particular point. I was wondering whether there might not be some conflict here with some of the provincial legislation in this regard?

Mr. ELDERKIN: Well, there could not be conflict or, at least I do not think there could be, because as long as it is done under the Bank Act.

The loan is made under the Bank Act and I do not think provincial legislation normally would have any effect on it. I may be wrong.

The CHAIRMAN: Mr. Ryan, do you have any supplementary comment?

Mr. RYAN: Not at this point. There might be a conflict in wording but whether there is a legal conflict, I would like to have the facts and the statutes in front of me before I replied.

Mr. ELDERKIN: You are more careful than I am.

Mr. LAMBERT: The point is that I would not like to think we are giving powers or exemptions here, or protection to a bank under this act, which would run afoul of a provincial insurance act where there is also jurisdiction. I would doubt whether a bank manager who had acted, feeling he had the protection of this subsection, but ran afoul of the requirements of the insurance act, would receive any sympathy or, for that matter any real protection.

Mr. ELDERKIN: Would he not also be in the position of having to turn down as many insurance companies as the borrower wished to list with him. He does not make the choice; he simply has to say that the company is acceptable. I do not think any bank manager is going to say that very insurance company that could be listed with him would not be accepted. This provision, as I say, is more than 20 years old and I have never had a complaint under it.

The CHAIRMAN: Shall we pass on the clause 76 if there are no further explanations under clause 75?

Mr. ELDERKIN: Clause 76 is new. The royal commission recommended that ownership by the banks and corporations other than bank realty companies should be restricted.

Mr. FULTON: Excuse me, holdings of a bank and any what company?

Mr. ELDERKIN: In any corporation other than a bank realty company. This clause provides that this will take effect after a period of five years. It also provides that under certain circumstances a bank may acquire shares in excess of the limit and hold them for a period of two years. The latter provision was considered desirable and was inserted to take care of a situation where a bank might help in the financing or refinancing of a corporation. It also, without naming names, was used once before to prevent a corporation being taken over by foreign interests.

You will notice that the clause as drafted refers to votes, not to shares, because there are so many different kinds of shares in different corporations that we had to have this one drafted to refer to votes. Now, Mr. Fulton you asked me earlier—

Mr. FULTON: This is where Kinross would come in.

Mr. ELDERKIN: That is just what I was going to say. You asked me earlier where they would come in and it would come in on this. There is an amendment which was given to you on subclause 2 which simply picks up the terminology at the end of subclause 1 because it places the same restriction there. It conforms with the requirements of subclause 1.

Mr. FULTON: Are you able to tell me whether at the present time the shareholdings are such that if this clause goes into effect the two banks in

question would be required by the first day of July 1971, to dispose of substantial shareholdings in the companies I have named?

Mr. ELDERKIN: I do not know—

Mr. FULTON: Do you know whether at the present time their holdings substantially exceed 10 per cent of those other two corporations?

Mr. ELDERKIN: Yes, they are holding in excess of 10 per cent of each of those two corporations. There are other corporations, too, actually in which the banks hold more than 10 per cent of the votes.

Mr. FULTON: It would not be a matter of any great difficulty, would it, to bring in an amendment that would specifically exempt those two companies?

Mr. ELDERKIN: No, if parliament saw fit to do it.

Mr. FULTON: What was the specific recommendation of the Porter Commission in this area?

Mr. ELDERKIN: That it should apply to the future, and consideration should be given to the present as to whether the continuation was in the public good, or words to that effect.

Mr. FULTON: Are you in a position to comment on whether the shareholdings by the two banks in question, I think there are three banks actually involved, of shares in Kinross or the majority of shares in Kinross and Roy Nat is contrary to the public good?

Mr. ELDERKIN: Well, in commenting on that I suppose I would be commenting on a policy of the clause I prefer not to. I think that is one question you might address to that minister.

Mr. FULTON: Have you seen any evidence that it is contrary to the public good?

Mr. ELDERKIN: No.

The CHAIRMAN: I think I should recognize Mr. Addison next.

Mr. ADDISON: Mr. Chairman, I wonder if Mr. Elderkin could provide the Committee as soon as possible—and I mean that—with a complete list of outside interests which would apply under this particular clause now presently held by the banks in Canada?

Mr. ELDERKIN: The information is not available at the present time, Mr. Addison. It can only be had by going back to the banks. I have no authority to give the list or any information about individual banks. Only the minister has that authority.

Mr. ADDISON: Well, obviously each bank would have a full disclosure of the particular companies in which they have an interest. You say it is at the discretion of the minister if this information is to be made available?

Mr. ELDERKIN: That is right. It is not within my discretion to make information available. In fact, I am forbidden to make unpublished information available.

Mr. ADDISON: Well how do we know what companies we are talking about other than obvious ones such as Roy Nat?

Mr. ELDERKIN: Well, the information would have to come from the minister.

Mr. ADDISON: It would have to come from the minister?

Mr. ELDERKIN: I have no authority to give information with regard to individual banks, Mr. Addison, I am forbidden to do so.

The CHAIRMAN: Are you interested in totals or in names?

Mr. ADDISON: Well, I am interested in names and share participation. We would like to know who we are talking about here.

Mr. FULTON: What would be involved in the way of a search of share registers?

Mr. ELDERKIN: No, Mr. Fulton, the minister receives a statement of security holdings every year, twice a year, as a matter of fact. So, the information would be available as of the mid-year, namely, April 30. We would have to go back to find out what percentage the shares so reported were of the outstanding shares. We get into some difficulties here—the minister would get into some difficulties—because the question arises as to what the voting rights are in shares. The banks may own shares which have voting rights in excess of other classes of shares, or less than other classes of shares. I think one would have to go back really to a separate return from the bank on this particular clause. The minister can do that if the Committee sees fit to request this information. I am not in a position to give you the information, Mr. Addison.

Mr. ADDISON: Well, Mr. Chairman, how do we obtain this information?

The CHAIRMAN: I think the proper approach is this. You have asked this question. The information would have to come through the Inspector of Banking, sent by the minister. Perhaps Mr. Elderkin could communicate with the minister about obtaining this information. I might say just in passing that I do not know if any problem will arise but I do not think we have any right to obtain information of a type which cannot be produced or tabled in the House of Commons itself. I do not know if we are getting into this area or not, but I think as a first step I would ask Mr. Elderkin to communicate with the minister and see whether or not the minister feels he could produce this information. If he can I would ask him to make it available as soon as possible. If the minister feels there are problems, then I would ask Mr. Elderkin to report to us and we will see where we go from there. Do you have a further question?

Mr. LAMBERT: Subclause 6 creates a blanket exemption to the whole clause.

Mr. ELDERKIN: No.

Mr. LAMBERT: Not to the subclause. Well, as I read it, it says, "nothing in this section shall be construed to prohibit or limit the ownership by the bank of shares acquired through a realization of security for any loan or advance made by the bank or any debt or liability to the bank." It is not "nothing" in this subclause; it is "nothing" in this clause, which applies to the whole of clause 6?

Mr. ELDERKIN: That is correct.

Mr. LAMBERT: Now, unless there is some other provision in the Bank Act which would force the banks to divest themselves of any of these shareholdings I can conceive of a situation where, as it is presently worded, a bank through the realization of a security given to it by a corporate body could acquire all of

the shares or anything in excess of 10 per cent and there is nothing says they cannot hold them; that they cannot vote them; that they cannot hold them as investments or do otherwise.

Mr. ELDERKIN: Yes, but this only applies in the realization of a loan; that is where the loan is uncollectible and the security is taken over because the loan is uncollectible.

Mr. LAMBERT: All right. Now can you tell me what is the distinction between the holding of shares of this kind in a corporation and holding of shares in another corporation because, if the principle underlying this whole section is that banks should not have holdings in outside non-banking corporate bodies why, if you have acquired them through the realization of security, should you be able to hold onto them, but if you wanted to make an investment in them you cannot?

Mr. ELDERKIN: Well the investment would be strictly a voluntary operation. To a great extent, any acquisition of shares under this subsection would be almost involuntary; it would be forced on them. Further, any acquisition of securities of this type which came from the realization of a loan, I think, would not be of very much value and I would think the bank would want to dispose of them. If they cannot collect a loan from a company, the shares are not of much value.

Mr. LAMBERT: Oh. What concerns me is that—

Mr. FULTON: There is an interesting possibility opened up here with respect to the two corporations that I named. They advance a loan to them and then so run them that they go bankrupt and they cannot realize the loan. That is ridiculous but we might force them to go through that ridiculous operation.

Mr. ELDERKIN: That they go bankrupt?

Mr. FULTON: Or they cannot repay the loan, and they then take shares realizing—

The CHAIRMAN: It is not the actual bank procedure you are speaking of?

Mr. FULTON: Not the actual act of banking, no.

The CHAIRMAN: Perhaps I could ask a question at this point, Mr. Elderkin. Take a look at subclause 4. Now, it is obviously contemplated at the very least that shares acquired, as you put it, voluntarily, have to be disposed of within a certain period of time.

Mr. ELDERKIN: That is subclause 5.

The CHAIRMAN: Subclause 5, which gives an extension. From the point of view of your experience, is there any reason why something like that could not apply as well to shares obtained by a bank in realizing its security?

Mr. ELDERKIN: Well in my experience, shares obtained by a bank under subclause 4 would not have any marketable value, or they are likely to have practically no marketable value.

The CHAIRMAN: You mean subclause 6?

Mr. ELDERKIN: I beg your pardon. That would be under subclause 6; that is right. It would likely not have any marketable value, and the only realization that the bank would get out of it would be the winding up of the company?

The CHAIRMAN: But would it not be tidier as a scheme of operation to have subclauses 4 and 5 apply to the situation contemplated by subclause 6 as well?

Mr. ELDERKIN: We can but it may be impossible, Mr. Chairman.

Mr. McLEAN (*Charlotte*): Mr. Chairman, it is the voting rights that I am thinking about. If a bank takes over 51 per cent of a company and they want to vote on it, are they limited to 10 per cent because that would be no good.

Mr. ELDERKIN: No, because this does not apply to that.

Mr. McLEAN (*Charlotte*): Well it says here that the bank shall not own shares of the capital stock of a Canadian corporation in any number that would under the voting rights attached to the shares owned by the bank, permit the bank to vote more than 10 per cent of the total votes.

Mr. ELDERKIN: Well, I think subclause 6 over-rides the voting. I would think so, Mr. Ryan, would you not?

Mr. RYAN: It over-rides it altogether.

Mr. LAMBERT: But I can conceive, Mr. Elderkin of this situation. Let us assume that corporation X is the borrower and it runs into difficulty in repayment of a security. It owns in its portfolio shares in Y company, maybe a subsidiary which is operating quite satisfactorily, and the bank acquires the shares in Y company in the realization of the security it had with X company. Nothing in this subclause or in this clause forces the bank to divest itself of the shares it acquires in Y company.

Mr. ELDERKIN: That is right, if that were the case.

The CHAIRMAN: Did you have further questions, Mr. McLean?

Mr. McLEAN (*Charlotte*): I cannot see subclause 6 limited to ownership, not to voting.

Mr. LAMBERT: That is an exercise of ownership.

Mr. ELDERKIN: That is an exercise of ownership.

Mr. McLEAN(*Charlotte*): But here it says that the bank is limited to 10 per cent of the voting power.

The CHAIRMAN: Your point, in other words, is that because of the way this is drafted they might be able under subclause 6 to own the shares but because of what the other subclauses say—

Mr. McLEAN (*Charlotte*): One says ownership and the other says voting power.

Mr. FULTON: They both say ownership, I think. The bank shall not own shares of a nature—

Mr. McLEAN (*Charlotte*): The voting rights shall be only 10 per cent.

The CHAIRMAN: Mr. Ryan, do you feel it would be possible under subclause 6 to own shares realized through security but because of the earlier subsection not be able to vote them?

Mr. RYAN: No, Mr. Chairman. The prohibition in subclause 1 goes to the ownership of shares, and the ownership may be acquired by purchase or it may fall into the bank as owner by way of a realization of a security. But that type

of ownership is dealt with particularly in subclause 6 where they acquire ownership through the realization of security. Nothing in subclause 1 is to prevent that, as to prohibit or limit the ownership.

The CHAIRMAN: Would it be practical, based on your experience, to apply the scheme contemplated in subclauses 4 and 5 for shares acquired voluntarily to shares acquired through realization of a security under subclause 6?

Mr. ELDERKIN: I do not think there is any difficulty in drafting. I would like, Mr. Chairman, to just discuss the matter further, perhaps with the banks, as to their experience in this field.

The CHAIRMAN: You might ask them about it directly.

Mr. ELDERKIN: Yes. May I suggest there is no difficulty in drafting under this basis.

The CHAIRMAN: May we have any further comments on this section? If not, we can move on with the idea of adjourning at one o'clock.

Mr. FULTON: Mr. Chairman, I have to go about six minutes to one and I particularly wanted to discuss Section 88. Could I ask you off the record not to go to Section 88 before one o'clock?

The CHAIRMAN: I do not think we are going to. It would be most unusual. We have a new section next, I think.

Mr. ELDERKIN: Yes, clause 77. This is new power granted to the banks to issue debentures under certain limits. This provides for the issue of debentures subordinated to deposits that limits the issue to the annual accumulative total of 10 per cent of capital and rest and a maximum of 50 per cent thereof. In other words there can only be an issue equivalent to 10 per cent for each year after the coming into force of the act and 50 per cent in total. There is an amendment which was given to you on subclause 2 striking out the words "in any financial year of the bank commencing after the 31st day of October 1966". Because I do not think we can expect the act to come into force before the 31st of October 1966 the words are redundant.

The CHAIRMAN: There is no disagreement on that score. Mr. Clermont, you had some questions?

(Translation)

Mr. CLERMONT: Yes. In paragraph 6, sub-section 6, paragraph (b), you mention that there would be an amendment eliminating the 31st of October 1966, does this mean that it is the years following 1966 which will be multiplied?

(English)

Mr. ELDERKIN: This was an error, Mr. Clermont. This should have read 1965—it is in the amendments that are here—because there would be no full year on which to base it.

(Translation)

Mr. CLERMONT: Yes but Mr. Elderkin does this mean just the years after 1965?

(English)

Mr. ELDERKIN: That is right. Two amendments will be offered to you on clause 77(5) and (6) and, for the most part, they were redrafting. The first one, subclause (5) provides for the replacement of lost or mutilated certificates, which we had overlooked in the previous section; and subsection (6) permits the calculation to be made for the financial year 1966 for an issue in 1967. Before that we could not have made an issue until 1968.

The CHAIRMAN: I think, gentlemen, we are getting very close to one o'clock. I just want to get your suggestions on a point of procedure. It seems to me that it might be useful to recess until a fixed time for afternoon sittings irrespective of what may be happening in the House rather than ask to reconvene at 3.30 or after Orders of the Day, which ever comes the sooner, because there sometimes are unusual developments in routine proceedings. I do not want to be unfair to any interested member of the committee but it seems to me we have some obligation to proceed with all due deliberation. I suggest we try recessing this meeting until 3.30 this afternoon.

Mr. CLERMONT: After Orders of the Day.

The CHAIRMAN: Well—

Mr. CLERMONT: No. The committee says no.

The CHAIRMAN: What is the general consensus here?

Mr. McLEAN (Charlotte): Mr. Chairman, could we leave these things on the desks without having them taken away and thrown out?

The CHAIRMAN: Miss Ballantine, could you look after that? Let us say 3:45 and see how we get on. The concensus is that we should recess to a fixed time and I think we should see what happens today.

Mr. GRÉGOIRE: Mr. Chairman, before we recess I would like to ask Mr. Elderkin if he can secure for us some documentation. Can we be informed of the total amount of loans by province—not by banks but by province, and the total amount of deposits by provinces?

Mr. ELDERKIN: No, Mr. Gégroire we do not collect this information. I would refer you back to my evidence on the Bank of British Columbia. This information has not been collected for a great many years, never except in my earlier experience, because we felt it was valueless. Loans made in one province are deposited in another and likewise, and the loans and deposits by provinces have never been considered to be a valuable statistic by the Dominion Bureau of Statistics or anybody else. It is because there is no relationship. The deposits may arise in one province, as I say, from a loan made in another province. I think it is completely misleading, Mr. Grégoire, to try to match them up. We discovered this long ago because a great many of the loans, especially of national companies, will be made probably in Toronto or Montreal. The money will be spent and the deposit will arise in some other province.

The CHAIRMAN: Mr. Elderkin because this discussion may go on for a while I have asked Mr. Grégoire if he could continue this this afternoon.

Mr. GRÉGOIRE: I asked this question because I knew he could not secure the information unless he was advised beforehand.

The CHAIRMAN: Well he has some reasons as to what type of answers he can or cannot give, so let us go into this this afternoon. We will recess until 3:45.

AFTERNOON SITTING

The CHAIRMAN: Gentlemen, we can now resume the meeting.

When we recessed this morning I believe we were concluding our discussion of clause 77.

Mr. ELDERKIN: We had not quite finished.

The CHAIRMAN: Yes. Had you completed your explanations, Mr. Elderkin?

Mr. ELDERKIN: Yes, I had completed my explanations.

The CHAIRMAN: I have a question for you. Could you distinguish, for me at least, the debentures referred to under this section, and the various certificates that banks now seem to be making available?

Mr. ELDERKIN: There are quite a few differences. Any debenture issued under this section can, by legislation, be for a term of not less than five years. They are subordinated to the deposits. These are probably the two main differences. They do not classify as deposits, and they rank after deposits, as far as security is concerned.

The CHAIRMAN: Do the certificates issued by certain banks—I will not mention names so that we will not be taken as giving a plug to one or the other—differ as far as securities for deposits are concerned?

Mr. ELDERKIN: No, they rank with the deposits.

The CHAIRMAN: They rank with the deposits?

Mr. ELDERKIN: They are treated as a deposit for balance sheet purposes. Some of them have different terms. There are many types of deposit liabilities, including deposit receipts and deposit certificates, term deposits, and so on, but they all rank with the—perhaps a good word would be—ordinary deposits.

The CHAIRMAN: Whereas these would rank after?

Mr. ELDERKIN: These would rank after, yes. They are particularly identified as ranking after the deposits.

The CHAIRMAN: What is the authority in the present act for issuing the certificates to which I have just referred?

Mr. ELDERKIN: The banks can issue, or take deposits, and they rank as deposits.

The CHAIRMAN: For which they are offering special terms?

Mr. ELDERKIN: That is right; for which they are offering special terms.

The CHAIRMAN: Thank you. Are we prepared to move ahead, if there are no further questions? Mr. Flemming?

Mr. FLEMMING: I have just one question of Mr. Elderkin. After they issue the deposit certificate, then on the other does the liability show before their gross reserves show? In other words does that come off their plain reserves?

Mr. ELDERKIN: If you are speaking of the deposit certificates, as such, they are treated as a deposit and the bank must maintain the regular cash reserve with respect to them, namely 98 per cent under the present Act.

The CHAIRMAN: Next, Mr. Elderkin, we have—

Mr. ELDERKIN: There is a small, rather important amendment in the last line of Section 78. The amending words replace "the owner of the securities". In the previous act the right to deal with the securities could be waived only by agreement between the bank and the owner of the securities. In many cases, of course, the person who puts up the security is not necessarily the owner, and the act is being changed accordingly to take care of that particular situation.

There is a reference in the last part of Section 80 to the acquisition of title, as any individual can in like circumstances do. We have often been asked in the past just what this meant. This has been in the Act ever since 1867. Falconbridge, who is the greatest expert on this, perhaps, of any, suggests that it may have two reasons for being there. It gives the banks certain rights which might otherwise be impaired by the laws of mortmain, but it is also restrictive as the bank has no greater rights than those of an individual in the province concerned. I do not think there is anything else of very much importance, and we come through to Section 82, dealing with hydrocarbons.

The CHAIRMAN: Mr. Lambert did you have a question?

Mr. LAMBERT: I am concerned about what is contemplated by the banks in taking security on personal property in the province of Quebec.

Mr. ELDERKIN: I am not an expert in law, and perhaps the Quebec representatives in banking can explain it more, but there is no such thing as a mortgage in the province of Quebec. It is the hypothec. The operation of the hypothec is one which comes within the civil code of the province of Quebec, and I am, frankly, not competent to speak on this.

Dr. OLLIVIER: It does correspond to a mortgage. It is called a hypothec. It is just the way of treating it. I do not see that there is any difference.

Mr. LAMBERT: This is the difference between the hypothec and the chattel mortgage. One is—

Dr. OLLIVIER: There is no such thing as a chattel mortgage in Quebec.

Mr. ELDERKIN: If we move on to the—

Mr. LAMBERT: Are there any changes with regard to 82?

The CHAIRMAN: We are just coming to 82.

Mr. ELDERKIN: Yes. In sub-section 1 the changes of the last several words in the sub-section, reading "whether the security be taken from the borrower or from a guarantor of the liability of the borrower, or from any other person". Security taken under Section 82 of the present act would apparently not be effective when held in support of the guarantee of an obligation. It is the practice in the oil industry particularly to finance development through subsidiary companies, with a guarantee by the parent company, and this provision would ensure that security taken under this section would be effective when held in support of a guarantee. That is the only real addition in 82.

I might mention at this stage that if you are trying to compare the clauses between bill C-102 and this particular bill, we have had to do some re-arrangement. If you wish to make a note of this I will point them out as we go along. Going back to 79, this was formerly Clause 80 of C-102; 80 was formerly clause 81; 81 was formerly clause 82; 82 was formerly clause 84.

The reason for these changes was to bring 82 back to its original number, which appears in the present bill. Otherwise we would have had a considerable amount of confusion with outstanding documents, and so on, referred to not only in federal acts—because this would not have been important—but in many provincial documents in Alberta they refer to clause 82 of the federal act; and so we did some rearrangement to bring it back to the regular clause 82. Eighty-three was formerly clause 78; 84—none of these have anything of importance in them—was formerly clause 83.

In 84 there is a minor change. The period for which a bank may hold real or removable property, in this case, has been increased to 12 years, to correspond with a similar provision in the Trust Companies Act. This brings these two into line, that is all.

The CHAIRMAN: Before we pass on, Mr. Lind, you asked a question earlier in the day under another section where it made some reference to Section 83. Have you any further questions to ask on Section 83?

Mr. LIND: What I asked was if the banks had a preferred position when they were filing liens over the common lienholders, although they are all registered.

Mr. ELDERKIN: All kinds?

Mr. LIND: All kinds of liens, yes.

Mr. ELDERKIN: Section 83 refers only to the liens on the shares of the bank.

Mr. LIND: On the shares of the bank, or the shares of the company?

Mr. ELDERKIN: No, the shares of the bank; its own shares.

Mr. LIND: Its own shares. It refers to its liens on its own shares.

Mr. ELDERKIN: This is really only applicable, when the shares are book shares.

There is nothing further on any changes—

Mr. LAMBERT: In 84 (iii). What is the rationale of the penalty of forfeiture for real property held beyond the permitted period by a bank? Why the forfeiture to the Crown?

Mr. ELDERKIN: Just for an instrument to make use of if necessary. You will notice that this is permissive. The Crown will not enforce this if the bank has made every attempt to dispose of the property within the term shown. This is, again, a carry forward from the last act.

Mr. LAMBERT: What is so wrong about a bank holding some real property?

Mr. ELDERKIN: Because the whole act is built around the fact that banks should not get into the real estate business, as far as possible. We admit that they are in it quite a bit in some of the buildings they own, and in which they share quarters; but otherwise they could hold on to old property indefinitely. This is pretty academic, in some respects, in that they want to get rid of most of this type of property acquired just as quickly as they can. You will find later on that we ask them to make a report every year on what they are holding under this clause. Most of it is just odds and ends that they have acquired in the realization of loans.

Mr. LAMBERT: It strikes me that this may be one of the old anachronisms today, that it is a hangover from the more ancient philosophy of Canadian banking. Now we are allowing them to go into mortgages on realty, into longer term securities and the issuing of debentures. It is quite a departure. It used to be that the banks in Canada had to be almost as liquid as the bills that they had in their till, and this is a carryover from that. I must say that I find this sort of penalty, or forfeiture, quite an anachronism in this day and age.

Mr. ELDERKIN: The same thing occurs in the Trust Companies Act, where they must dispose of it within twelve years or else they are liable to forfeiture.

Mr. LAMBERT: The fact that it is there does not excuse the obsolete nature of this penalty.

Mr. ELDERKIN: This is for the opinion of the Committee, as far as that is concerned. I think, actually, as I said before, I regard it pretty well as an academic provision anyway, in that they try to get rid of the property just as fast as they can. It is usually a type of property which is not very easy to realize, and we often find them having to hold on to the property for some time before they can get rid of it. They do make a report on this every year to the Minister.

Mr. ADDISON: Is the loan written off, so to speak, and the sale of the property written back off against that original write-off, and the difference charged back to the individual if it is collectable?

Mr. ELDERKIN: This property would never be taken over except in a case where they made a settlement with the individual. I say "never." I cannot think of a case where it would. It would be taken over at a certain value affixed to the security for the loan—probably at a dollar, as a matter of fact. It is usually that type of property that they end up with, and—

Mr. ADDISON: Take the case of a farm, for example.

Mr. ELDERKIN: This would not apply before. It could apply this year, yes.

Mr. ADDISON: Who establishes the value of the farm?

Mr. ELDERKIN: In the settlement of the loan the value that is placed on the farm must be stated in the settlement of the loan.

Mr. ADDISON: In other words, this is only property which is, in effect, taken as part payment for the loan?

Mr. ELDERKIN: Yes.

The CHAIRMAN: I would like to recognize you next, Mr. Lind, but I think Mr. Ryan may want to say something at this point.

Mr. RYAN: No, Mr. Chairman. It is a policy provision. I have nothing to add to it.

Mr. LIND: Mr. Chairman, have not the banks the right now, under certain procedures, to hold real estate for corporations by this method: The corporation can issue debentures to one of the executives, and the executive can assign them, against the mortgage that he has taken in place of the debentures, to the bank, and allow them to hold real property?

Is this procedure not followed now in some instances?

Mr. ELDERKIN: The only property that is held through corporations are the so-called bank building or bank service corporations. These are subsidiary corporations of the banks and where they are more than 50 per cent owned by the bank the statement is published with the annual statement of the bank.

Mr. LIND: We have run into this from time to time where the corporation has issued a mortgage to one of the executives and turned around and issued debentures to cover up for their liability in the loan at the bank and it becomes a method to get around and hold real property. Is this not a procedure that—

Mr. ELDERKIN: The bank would not be holding real property.

Mr. LIND: No, but they are holding the debentures.

Mr. ELDERKIN: They always have the right to hold debentures.

Mr. LIND: They have always had that right.

Mr. ELDERKIN: That is right.

Mr. LIND: This is nothing new.

Mr. ELDERKIN: This is not new. They have always had the right to hold debentures.

The CHAIRMAN: Are we in a position to move on to clause 85?

Mr. ELDERKIN: There is nothing new in Clauses 85, 86 or 87, unless somebody wishes to bring it up. Now, we move into clause 88 which is, of course, a very famous old section in Canadian banking.

The CHAIRMAN: Mr. Fulton, I will recognize you first after Mr. Elderkin gives any preliminary explanation he may want to make.

Mr. ELDERKIN: Perhaps we might take this a subclause at a time, if you wish to.

In subclause (1) in paragraphs (a) and (b) there are certain additional words to ensure that packing materials are included as possible security for loans.

In paragraph (h) there is a proposal to broaden the scope of security which may be taken from a farmer. With mechanization of farming, the repair bills to machinery can represent a very significant item in farm expense now for which credit could properly be given under paragraph (h).

Mr. McLEAN (*Charlotte*): Mr. Chairman, under section 88, I believe it has been the practice in the province of Quebec if the manufacturer shipped goods they were held 30 days and if anything happened in that 30 days, the manufacturer could reclaim the goods. I have known of a case where the bank held off for 30 days and then came in under section 88 and deprived the manufacturer of the goods. Is there any protection for the manufacturer under that?

The CHAIRMAN: I think I will ask Mr. Elderkin to delay replying until he completes his explanations, and then I indicated I would recognize Mr. Fulton and then you will be next on this point. I would like to know the answer to that myself.

Mr. ELDERKIN: Do you want to take this subclause by subclause because it is a very long clause? Mr. Chairman, are there any comments on the two changes to which I have referred?

Mr. LAMBERT: Yes; The farm machinery one.

Mr. ELDERKIN: Could you give the number or the letter?

Mr. LAMBERT: Yes, on page 64 (h).

Mr. ELDERKIN: Yes, 88 (1) (h).

Mr. LAMBERT: In subclause (1) (h) of clause 88 you give security for the repair of agricultural implements or the improvement or alterations of farm electrical systems, fencing, drainage, building and for any works for the improvement or the development of a farm for which a farm improvement loan as defined in the Farm Improvement Loans Act may be made upon the security of agricultural implements.

It has always been my thinking that the philosophy of clause 88 was to permit advances to be made upon the security of either growing crops, cattle that were being raised and goods being in process. In other words, this was, shall we say, a production. These were loans for production, and now I must say that I find this a rather stranger to the philosophy of clause 88.

Mr. ELDERKIN: Section 88 was changed a considerable number of years ago, Mr. Lambert. A good part of the section, where it refers to agricultural loans, is similar to the Farm Improvement Loans Act, and whether it was in here or whether it was not, the Farm Improvement Loans Act would set up the power to do this. This has been a gradual growth over a great number of years of adding more to the types of security which farmers may pledge for the purpose of bank loans, either under this act or under the Farm Improvement Loans Act.

Mr. LAMBERT: In your experience, is it a convenient form for the granting of security with regard to what I would say are really farm improvement loans?

Mr. ELDERKIN: If they did not do it under this act, they would do it under the Farm Improvement Loans Act.

The CHAIRMAN: I presume, Mr. Elderkin, that the rationale would be that this type of loan could be linked with the increase in the productivity of the farm.

Mr. ELDERKIN: Yes, and as spelled out in here; any works for the improvement or development of the farm.

Mr. LAMBERT: But then, Mr. Elderkin, one could say the same thing, could you not with regard to improvements to a factory for the improved production of goods.

Mr. ELDERKIN: There is no question about it, that these particular paragraphs running from (c) down to (h) are all relative to farming only.

Mr. LAMBERT: I think something was hived under section 88 when it should have been put somewhere else.

Mr. ELDERKIN: It was put some place else first. It was put in the Farm Improvement Loans Act first and then the last part of it brought into this act.

The CHAIRMAN: Mr. Fulton, perhaps I should recognize you.

Mr. FULTON: Mine is on subsection (4).

The CHAIRMAN: So we will come to you at that time. Mr. McLean, what you started to ask about, it does not really relate to this subsection (h)?

Mr. McLEAN (*Charlotte*): No. It was general under clause 88.

The CHAIRMAN: Perhaps after we go through the changes and have questions relating specifically we can have some general questioning so as to make sure that we understand the total package of clause 88.

Mr. ELDERKIN: I might say that in paragraph (i) we get into another primary producer, namely the fisherman, where loans can be made to the fisherman on certain fishing equipment, vessels, etc.

Mr. FULTON: Could I ask this question here. Now that the banks are being given much wider authority to make loans on the security of movable and immovable property, is it of such vital importance to keep a separate clause 88?

Mr. ELDERKIN: I cannot answer that from the point of view of a legal interpretation of it. It spells out here in clause 88 the particular security which a bank may take in this case. For instance, clause 75 just refers generally to movable and immovable property. In the case of farmers and fishermen, it specifies the particular type of security, but I think that is about the only answer I could give you.

Mr. FULTON: Let me ask Mr. Ryan then, whether, in fact, clause 88 is not a little bit anachronistic now in light of the new clause 75?

Mr. ELDERKIN: Before Mr. Ryan answers this I might mention, and you probably know, that there are about 7 or 8 schedules which specifically refer to clause 88 and the loans made under clause 88, and describes the manner in which they may be registered and everything else. I think that that may have some bearing on the section.

Mr. LAMBERT: Well, is it not true though, if I may intervene, Mr. Chairman, that clause 88 security is a peculiar type of security. It is a form of warehouse receipts and floating chattel mortgages on cattle and growing crops.

Mr. ELDERKIN: We get all those various things later on, too, as a matter of fact. I think the banks would be lost without clause 88, as well.

The CHAIRMAN: Do you have any comment, Mr. Ryan, on these implications?

Mr. RYAN: No.

Mr. ELDERKIN: There are no changes in subclause 2 or 3. In subclause 4, there is a minor change; in paragraph (c) "the agent shall endorse over his signature or a facsimile thereof", the words are added at the request of the Bank of Canada to permit stamped endorsements of these. All of the requirement here is to identify the person who made the entry, and so the facsimile signature is just as good as having him sign it himself and there are, as you can imagine, hundreds and hundreds of these. It is just a matter of labour saving, that is all. Somebody had a question on clause 4 I think.

Mr. FULTON: Yes. I would like to put my question with this short preface. In provincial legislation, very happily, the trend is all through central registries of chattel mortgages. Certainly that is the case in British Columbia, I believe, and I think also in Alberta. In British Columbia we have one central registry for the whole province, in Victoria, so you do not have to go searching around all the county court registries for chattel mortgages. Clause 88, however, still

provides a separate type of registration for clause 88 security which, in many cases, is in effect the chattel mortgage. Lawyers are presumed to know the law, so I do not make any arguments based on the carelessness or oversight; that is not a sufficient argument but, I do make one based on efficiency. It seems to me to be most desirable that the banks now, if they wish to maintain their own registry through the Bank of Canada office should, in addition, register their clause 88 with the central registry in the provinces—central registry of chattel mortgages. It means one more registration, but I would not urge it in the areas where there is not a central registry, only in the case of those provinces where there is one. It would not be a great deal of additional paper work—only one more registration. I think it would be a real service, not only to the legal community because in this area they are servants of their clients. It would eliminate possible oversight at no great expense to the banks. In my submission it would not be making provincial legislation paramount, and of course the provinces cannot compel it. It would be merely good citizenship, because when one thinks of chattel mortgages one thinks primarily of provincial legislation and provincial rights. That is the background of my submission. My question is: Why do you not provide that in addition, make them register at a central chattel mortgage registry.

Mr. ELDERKIN: You could not provide that they must—because it might not be acceptable.

Another point is you are going to throw an enormous amount of work on your central registry. The number of notices of intention which are registered under this is very substantial, and we provide in here that they have to be renewed. If they are not renewed after a period of—I think it is five years, if I remember rightly—then they are automatically cancelled and the Bank of Canada has to police this particular one all the time.

It would throw a great amount of work on your central registry even if we could require the banks to do this. I do not say that it is impossible and I suppose if we required the banks to do it, it would simply be a question of whether the central registry would accept it or not. I would think quite frankly that any solicitor or any lawyer would realize that there were, in the case of Clause 88, one place in the province where it can be registered.

Mr. FULTON: Well, as a matter of interest—and I do not really base my argument on it—I have asked a number of lawyers who are quite skilful practitioners and this is the answer I got: "I never thought of going to the Bank of Canada with Section 88 registry upon cattle."

The CHAIRMAN: Perhaps our discussion at these public hearings will help enlighten the profession.

Mr. FULTON: Well, it is not only that. In other words, I do not mean that that is a sound basis for the argument. In other words, lawyers are presumed to know the law. I am thinking of efficiency and protecting the public interest. My direct submission is that I think it is more efficient to have all of the same type of security registered in one place.

Mr. ELDERKIN: Well, I cannot speak authoritatively for the banks, but I do not think, so far as the banks are concerned, that this would cause a great deal of work. It simply would mean the filing of another document in another place.

I would suggest to you that it would certainly throw a very substantial amount of work on your central registry.

Mr. FULTON: There are fees payable, of course, for the registration.

Mr. ELDERKIN: Yes, there are fees.

Mr. LIND: A supplementary question to this: If the banks have an assignment under Clause 88 of a corporation where can an individual selling that corporation find out about this?

Mr. ELDERKIN: The Bank of Canada, or its agency.

Mr. LIND: You write to the Bank of Canada.

Mr. ELDERKIN: That is right.

Mr. LIND: Write or telephone.

The CHAIRMAN: Will they answer telephone inquiries?

Mr. ELDERKIN: And telegram inquiries.

The CHAIRMAN: And telegrams. With regard to a central registry Ontario has yet not gone as far as some of the other provinces.

Perhaps I should draw the attention of the Committee to page 68, subclause (k) where agency and agent are defined. It might be helpful.

Mr. ELDERKIN: I would also like to say they do not answer by telephone; they will answer by telegram.

Mr. FULTON: Telegram.

Mr. Elderkin, now that you have all these new types of Clause 88 security under (h) and (i) do you not think there is a real—

Mr. ELDERKIN: As a matter of fact, there are no new types in here except the one, and that is the repair of agricultural implements or of agricultural equipment. There is nothing new otherwise in there.

Mr. McLEAN (Charlotte): The fisherman.

Mr. ELDERKIN: The fisherman was there before. I should say that under (h) that is all. Under (a) you have "goods, wares and merchandise used in or procured for the packing of such products." These are the two main changes in here, packaged goods and repairs to agricultural implement.

The CHAIRMAN: These are not types of security they are purposes for—

Mr. ELDERKIN: For which a loan may be made.

Mr. FULTON: Is there not a widening though under Clause 88 the types of security which may be taken as security for these loans?

Mr. ELDERKIN: No. The same wording is used to conclude subclause (1)(h), "upon the security of agricultural implements". This was always the case. With regard to the fishermen, there is no changes in wording here at all. In the case of the addition of packaged goods, there is no addition except that these goods can also be taken as a security.

The CHAIRMAN: Mr. Lambert, did you want to ask a question?

Mr. LAMBERT: Yes. What I was concerned about here is that because of the mobility of a lot of the agriculture equipment, it becomes very difficult now to say that you will be able to be satisfied that it will remain in the one registry district. This is what, I think, Mr. Fulton was trying to get at. It is the reason why we have now established central registries for automobiles within provinces and aircraft. It is just that with the advance of technology you can so readily defeat the security; for instance, farm tractors and self-compelled combines. I would think that one would have to say: "I am going to register this in two or three registration districts" because they can move back and forth so readily. That is why with regard to clause 88 there is now a much stronger talking point for much more centralized registries.

Mr. ELDERKIN: If everything was in the province it would be registered with the agency of the Bank of Canada in that province under clause 88.

The CHAIRMAN: Well, in effect you have a central registry.

Mr. ELDERKIN: Yes, you have a central registry for clause 88. What Mr. Fulton is saying is that there are chattel mortgages which are registered in other places. He was wondering if it would be possible to combine this. I am not proficient in provincial law but this means, in effect, that there is a central registry in every province for clause 88 security.

Mr. FULTON: Yes, it is separate and apart from the central registry of other chattel mortgages. My suggestion is not that you give up the bank central registry but that in addition from what one could call an act of good citizenship you require registration in the provincial central registry.

Mr. ELDERKIN: You might bring this question up with the banks; it is not an impossible situation. I do not think, without advice, it would cause much additional work to a bank where there is only one central registry in the province. Even this does not always cover the possibility of loss; I know there have been circumstances under the Farm Improvement Loans Act where they drove a tractor across the border. They cannot catch that one.

Mr. McLEAN (*Charlotte*): Is it not true that in banking in the United States there is no such thing as section 88?

Mr. ELDERKIN: That is right.

Mr. McLEAN (*Charlotte*): Why is it so necessary in Canada?

Mr. ELDERKIN: In the United States they do a great deal of business under chattel mortgage laws.

Mr. McLEAN (*Charlotte*): I remember the vice president of the Chase Manhattan Bank asking me what was section 88. I told him that as far as I knew it was a banker's headache. He accepted that answer.

Mr. ELDERKIN: I can only say it is a unique piece of legislation and nothing like it appears in any other bank legislation in the world, as far as I know. I could be corrected on this but I have never heard of anything like it.

Mr. McLEAN (*Charlotte*): Do you think it is entirely necessary here in Canada?

Mr. ELDERKIN: Perhaps you had better ask the banks on that one, too. I know there was some discussion on this in 1954 as to whether it was necessary.

Mr. McLEAN (*Charlotte*): I was pointing out there could be collusion between the bank and, say, a wholesaler in Montreal. He buys from the manufacturer a lot of goods; they wait 30 days and then the bank closes in and gets the loan and the manufacturer pays it. What protection does the manufacturer have under clause 88?

Mr. ELDERKIN: If he waits until after the goods have been delivered for 30 days.

Mr. McLEAN (*Charlotte*): Generally goods are sold on 30 day terms or 60 day terms. The banker says: "Well, you have quite a loan from us, now you just load up with goods; you can get 60 days credit; we foreclose in 30 days and they get their loan".

Mr. ELDERKIN: You are surely not accusing a bank of operating like that.

Mr. McLEAN (*Charlotte*): I remember it happened once.

Mr. ELDERKIN: However, that was a very unique experience.

Mr. McLEAN (*Charlotte*): It was for me.

Mr. ELDERKIN: Maybe you can question the banks on whether clause 88 is valuable to them or not. As I said, if you look back to the 1954 evidence—I know Mr. Cameron will remember this—there was a considerable amount of discussion on it. If I remember, these were some remarks on it by the minister of the day, Mr. Abbott. I would suggest that you might explore this with the banks when they are before you.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): On that point, Mr. Chairman, I recall that at that time in 1954, it was the Ontario Fruit and Vegetable Growers Association who appeared before the committee asking for the repeal of section 88, or its amendment, because of situations which confronted them whereby a producer of vegetables sold his produce to a canning concern, with no down payment on the vegetables, which later went bankrupt. The bank had a lien on the property and they were able to take the produce, even though it had not been manufactured, for which the producer had received no return. The producer had no recourse.

You will also recall that a year or two ago Mr. Whelan attempted to cure this situation by an amendment to the Bankruptcy Act. I was wondering if Mr. Elderkin could tell us what is the position now.

Mr. ELDERKIN: We have an amendment to this act in subclause (5), if I remember rightly.

The CHAIRMAN: It is on page 69 of the English text.

Mr. ELDERKIN: We will come to that in a minute. You remember, Mr. Cameron, that in that particular discussion the representatives, the secretary and general manager, of that producers' association were not aware that section 88 existed.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): According to my recollection, I thought they were objecting to it.

Mr. ELDERKIN: Yes, but they were not aware of it at the time. No, they were looking for an amendment, not to section 88 but for some protection for the grower.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes, you may be right. Then it was pointed out that section 88 was the place to do it.

Mr. ELDERKIN: Section 88 was the place and he was not aware that section 88 existed, because I remember the minister pointing out to him that his growers, if they were members of his association, should have had this brought to their attention.

We have no other amendments to clause 88. Mr. Chairman, did you want to speak on agency, on page 68?

The CHAIRMAN: No, I merely want to draw the attention of the Committee to the definition of agency which explains how the Bank of Canada's offices, in various parts of the country, come into play as a place of registration, but you have covered that in some detail already.

Mr. ELDERKIN: The next change comes in subclause (5) (b) and this is the one to which you were referring, Mr. Chairman. This is the one that states: "claims not exceeding five thousand dollars in any one case for money owing by a manufacturer to a grower of perishable products of agriculture that are direct products of the soil, for such products grown by the grower on land owned or leased by him and delivered to the manufacturer during the said period of three months," prior to the bankruptcy. This followed, as you know, from representations which were made on behalf of the growers for cases such as the one which was discussed in 1954.

The CHAIRMAN: Perhaps for the record, at least, it might be stated at this time that this arose out of a private member's bill which was presented by Eugene Whelan, M.P. for Essex South, which was referred by the government for study to the old Banking and Commerce Committee which existed before the rule changes. There were lengthy hearings and I think a number of us participated quite actively in these, including myself. As a result of these hearings the committee recommended to the house and the government that an amendment to appropriate legislation, carrying out the spirit of Mr. Whelan's proposal, be carried out. I think it is to Mr. Whelan's credit that the government adopted this suggestion and it has apparently been reflected in this amendment to the new bank legislation which is before us now. I have a feeling that Mr. Whelan may be with us later in our proceedings to amplify on his views on this subject.

Mr. ELDERKIN: Some persons may have asked why the amount of \$5,000 was chosen as the limit in this subclause. There was a study made at the time of the committee hearings on bankruptcies of this type and this would indicate that the preference was named which would protect the large majority of the producers. The ones that would probably fall outside of the \$5,000 class would be corporation farms and that sort of thing which are considered to be sophisticated enough to look after themselves.

The CHAIRMAN: Perhaps I could have a word of explanation here. Is it intended that people whose claims would be, say, \$6,000, would be able to recover the first \$5,000?

Mr. ELDERKIN: That is right.

The CHAIRMAN: People whose claims are \$5,001 would not fall completely out of this protection?

Mr. ELDERKIN: No, they would get the \$5,000.

The CHAIRMAN: Would you agree with that, Mr. Ryan? I am a little concerned with the wording: "claims not exceeding five thousand dollars in any one case for money owing by a manufacturer". Could that be interpreted to mean that those whose total claim was \$5,001 might qualify. I am not trying to disagree with your interpretation, Mr. Elderkin; it is just a matter of—

Mr. ELDERKIN: No, I am simply putting forward the intent.

Mr. ADDISON: Mr. Chairman, why are livestock not included in this.

The CHAIRMAN: They are.

Mr. ADDISON: Are they? Under \$5,000?

Mr. LAMBERT: Yes. That is the effect of the definition of subsection (x) on page 3. If you want to know what are the perishable products of agriculture you look at the definitions of the products of agriculture on page 3.

Mr. ELDERKIN: Products of the soil.

The CHAIRMAN: Yes, but there is subsection (2).

Mr. ADDISON: Does it include livestock?

The CHAIRMAN: Let us deal with one question at a time. If you would like to take Mr. Addison's question before my own, feel free to do so.

Mr. RYAN: Mr. Chairman, I am afraid that on the reading of the words there, I would have to agree with your interpretation that you are talking about claims not exceeding \$5,000 in any one case.

The CHAIRMAN: Well, I would suggest to Mr. Elderkin and the committee that we make a note of this and I invite Mr. Elderkin and Mr. Ryan to prepare an amendment. I am sure that this is not what was intended.

Mr. ELDERKIN: No, I agree. It certainly was never intended.

Mr. FULTON: All he would have to do is put in his claim for \$5,000, then, and that is the end of the surplus.

Mr. ELDERKIN: Yes there may be some surplus.

Mr. FULTON: I know, but the account may be for \$6,050 and he puts in a claim for \$5,000.

The CHAIRMAN: I do not disagree with your interpretation but since we deal with this every ten years, we would be in a very embarrassing position if the court ruled otherwise and we were importuned for a period of ten years for this amendment. I am not sure it is going to last that long.

Mr. ELDERKIN: We can certainly fix that up. I am sure that the intent is that the first \$5,000 of any one claim should be payable.

The CHAIRMAN: I think we should deal with Mr. Addison's question first and then yourself, Mr. Lind.

Mr. ADDISON: Mr. Elderkin, does this section cover livestock as well?

Mr. ELDERKIN: I do not think perishable products of agriculture or direct products of the soil would. May I say this really came out of Mr. Whelan's representations, which were originally entirely restricted to fruits and vegetables.

The CHAIRMAN: If I may interrupt, I was quite active in assisting Mr. Whelan in presenting his views to the committee and his original bill, if my memory does not fail me, was very wide. It covered forest products and fisheries and it appeared that the only real concern which led to Mr. Whelan's presenting the bill came from producers of perishable products of the soil, fruit and vegetable farmers who produce crops for canners. And in an attempt to gain the support of the committee he indicated he would be prepared to abandon that portion of his draft bill which covered forest and sea products. Apparently none of the people linked with those two products came forward to join with the fruit and vegetable growers in their complaints. This is probably why this amendment is limited to direct products of the soil. I hope you do not mind my interrupting, but I happen to have extra knowledge of the proceedings.

Mr. ELDERKIN: Not at all. It was my understanding he finally decided that this is what he wanted.

Mr. LAMBERT: Therefore, Mr. Chairman, it is limited to those products that are enumerated in paragraph (x), subparagraph i) on page 3.

The CHAIRMAN: Mr. Ryan, would you care to comment?

Mr. RYAN: I cannot comment at this stage, I did not hear the question.

The CHAIRMAN: Well, Mr. Addison's original question was whether the definition which reads: "perishable products of agriculture that are direct products of the soil" would cover livestock?

Mr. RYAN: Mr. Chairman, I do not think they would. The words are attempting to tie it down to products of the soil and I do not think it could be said that livestock are products of the soil.

The CHAIRMAN: If we have finished with your point, Mr. Addison, I will turn to Mr. Lind.

Mr. LIND: I was wondering why the limit is \$5,000 when it is not all corporate farmers that deliver merely \$5,000 worth to canning plants in any one season; lots of them are delivering \$10,000, \$12,000 or \$15,000 worth, in fact.

Mr. ELDERKIN: Yes, but this is limited to three months delivery.

Mr. LIND: If you were delivering sugar beets, for instance, you are only going to deliver them over a six week period. So you are only limited to one \$5,000, whereas if they were delivered over a six months period you could get two claims of \$5,000 each. It is within three months of the bankruptcy. But why limit it to \$5,000?

Mr. ELDERKIN: Well admittedly this was chosen as a breaking figure. I think I should say at this time that this clause also presents a considerable amount of

difficulty from the point of view of bank credit. If you go too far on this it may result in the small processor having a very difficult time getting a bank loan at all. Even this will probably result in some of them having to resort to other types of security to get a bank loan, such as mortgages. I think you have to try for a balance in this particular provision so that you do not force the small processor out of the business. You can, if you make this too stiff.

Mr. LAMBERT: My own view, Mr. Chairman, as I expressed at the time of the discussion on Mr. Whelan's bill, is I am afraid this is exactly what it is going to do. This is going to mean a concentration of processing in the hands of the large processors.

Mr. CHAIRMAN: I think, in fairness to the proponent of this amendment that we should try and limit our questions here to an understanding of what is intended in the legislation before us. I know that Mr. Whelan will want to appear before the committee to defend this amendment and perhaps even to offer other changes. We can have a wide-ranging discussion at that time.

Mr. FULTON: I have a technical question only in the matter of wording, and I hesitate to put it. The introductory portion of the subsection reads, "notwithstanding subsection 2 and notwithstanding that a notice of intention has been registered pursuant to this section by a person giving security upon property under this section—", and so on. My understanding is that the notice of intention must be signed by the person giving the security but it is normally, if not invariably, registered by the bank taking the security and giving the loan. It is not registered by the person who gives the security.

Mr. ELDERKIN: They will not give the loan until it is registered.

Mr. FULTON: Yes, but the bank registers it.

Mr. ELDERKIN: Yes.

Mr. FULTON: So, I am wondering if there should be a change in wording, just in case it creates difficulties. Perhaps it should be changed to "notwithstanding that a notice of intention signed by the person giving the security has been registered—".

Mr. ELDERKIN: Well, the "notwithstanding", I think, makes it unimportant actually, because it does not make any difference whether it has or has not been registered, the section will take effect.

Mr. FULTON: Well, I raised it only as a technical point and I will not press it.

Mr. RYAN: Mr. Chairman, there is a slight ambiguity in that sentence. You could perhaps read it "that a notice of intention by a person giving security." A notice of intention that has been registered pursuant to this section and as described in it by a person, and it could perhaps be clarified to avoid the difficulty you are having with it.

Mr. ELDERKIN: As we are going to have one amendment we might as well have two.

Mr. RYAN: Before we proceed may I amplify on the words "perishable products of agriculture". Referring to page 3, paragraph (x), some indication of what are direct products of the soil will be found in subparagraph (i): "grain,

hay, roots, vegetables, fruits, other crops and all other direct products of the soil". The indirect products of the soil are honey, maple products, live stock, dairy products, eggs, and so on.

Mr. LAMBERT: Christmas trees?

Mr. RYAN: In some cases, I imagine.

Mr. LAMBERT: Nursery trees?

Mr. RYAN: They are a product of the soil.

Mr. ELDERKIN: But it refers to the products of agriculture, which are defined.

Mr. LAMBERT: Yes, but it says, "and all other direct products of the soil", and I cannot conceive of anything more direct than a Christmas tree or a nursery tree being a product of the soil.

The CHAIRMAN: Or, for that matter, a 100 year old fir tree.

Mr. FULTON: No, it does not. It says, "perishable products of agriculture that are direct products of the soil".

The CHAIRMAN: May I draw the attention of the committee to page 4 on which there is a definition under (y), "products of the forest", and also under (aa), "products of the sea, lakes and rivers".

Mr. LAMBERT: Yes, but they are not timber. With the greatest respect, Christmas trees are not timber.

Mr. ELDERKIN: We talked about Christmas trees on Tuesday, did we not? The fact that it was intended to bring in the trees?

Mr. LAMBERT: It was a form of farming, a tree farm.

Mr. ELDERKIN: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then the length of time it takes a crop to mature is no longer relevant. It is not confined to crops that can be cropped every year? A Christmas tree takes about, oh, probably ten years to grow, seven or eight anyway, depending on the species.

The CHAIRMAN: Are there further questions about the intent, meaning or method of operation of subclause (5)? If not, I would invite Mr. Elderkin to proceed.

Mr. ELDERKIN: There is nothing new in clause 89. It is the same as in the previous act with the exception of bringing the hydrocarbon section in reference to security.

There is no change in clause 90. Now we come to clause 91, which is the interest and charges section. This, as you know, is a completely new formula which provides for what is, in effect the average yields on short-term bonds for each Wednesday in the period, as a measurement for the interest rate which may be charged. It is also for eventually lifting the maximum rate of interest altogether. I think the Minister has explained this fairly fully in his first reading speech but, in effect, it means that the maximum interest rate will be set for every six months, until the time it is taken off altogether. It will be set at $1\frac{3}{4}$ per cent over the yield on short-term government bonds, which are

defined as the ones maturing within three years. At the present time the latest published report would indicate that this would lift it up to 7 per cent when it came into effect on January 1, or any time after January 1, the first half year, or possibly, depending on what happens in October or November,—we do not have those figures now—it might even move to $7\frac{1}{4}$ per cent.

Mr. ADDISON: The latest figures we have are for June.

Mr. ELDERKIN: You round these figures to the even quarter, as the act provides, and at that time it was 5.25 per cent for three months. Actually, the 5.11 per cent was in May. If you rounded that figure to the even quarter it would be 5 per cent flat. The September figure was 5.44 per cent which, rounded to the nearest quarter, would be 5.50 per cent. If that continued through October and November, it could produce a rate of $7\frac{1}{4}$ per cent in the first half year period of 1967.

Mr. CLERMONT: Is this six month period flexible enough? In recent years there has been quite a rapid fluctuation in the yield of short-term government bonds.

Mr. ELDERKIN: I think it would be very difficult to make it a much shorter period. The announcement has to be made a month before the rate takes effect. It is on the three months ending in November, which governs the rate for the six months beginning in January, and the same with May. I think within the six months period the fluctuations are not so heavy but they can become very heavy inside of a year, without a doubt. If you had too many changes it would present great difficulty for both the banks and the borrowers.

Subsection (2) simply says that where there is a discount on a loan the discount rate takes effect as you cannot revalue the discount.

Subsection (5) was formerly subsection (2) and there is no change in that. Subsection (6) eliminates the interest rate maximum on certain types of loans, including real or immovable property and construction loans, which are sometimes known as bridging loans, and on securities that are acquired directly from a corporation.

(Translation)

Mr. CLERMONT: Mr. Chairman, what is the rate referred to in section 6. Is it supply and demand, or what?

(English)

The CHAIRMAN: What would be the rate charged on loans under subsection (6)?

Mr. ELDERKIN: The market rate.

The CHAIRMAN: Mr. McLean is next and then Mr. Fulton.

Mr. McLEAN (Charlotte): A contractor who takes a contract covering three years, how is he going to govern his expenses if this bank rate is going up and up? Could the bank, if he takes a definite contract over two or three years, guarantee him a definite rate over that period?

Mr. ELDERKIN: They could, Mr. McLean, but it was never intended, and it probably never would happen, that a bank would be lending on that type of security at all. This subsection (6) provision is to cover what in the trade are

known as "bridging loans." That is, some American insurance companies doing business in Canada cannot loan except on a completed project. The result is that they have to find bridging loans until the project is completed. This might quite easily go for 18 months or two years, during which time they could work on a fixed contract basis.

Mr. McLEAN (*Charlotte*): The banks could do that.

Mr. FULTON: As a matter of interest and technique, I notice that subsection (7) requires the Minister to publish the rate as calculated, but as a matter of technique will that be worked out by the Bank of Canada or by the Minister's office?

Mr. ELDERKIN: It will be worked out by the Bank of Canada and it is intended that the Bank of Canada will publish that rate once this act comes into force. Now, the rate the Bank of Canada will publish will be the actual average rate; the rate that the Minister publishes will be the nearest quarter to that rate.

Mr. FULTON: I am sorry, but you have lost me.

Mr. ELDERKIN: The rate that the Bank of Canada will publish will be the average rate on short-term government bonds, but the bill provides that it shall be computed by the Minister to the nearest quarter rate. I will give you an example. The last rate for September was 5.44 per cent, and if this were the case the Minister would publish a rate of 5.50 per cent.

The CHAIRMAN: If we may revert to subsection (4), I would like a clarification. This means that if a loan is made for a period of two years, the interest rate will be—

Mr. ELDERKIN: This is only a discount rate in subsection (4).

The CHAIRMAN: Well, where a loan or advance referred to in subsection (2) is made by the bank in one interest period and is repayable in whole or in part in a later interest period, the maximum rate of discount the bank may charge is added in the initial period?

Mr. ELDERKIN: That is right. In other words, the maximum rate of discount the bank may charge can carry over for the whole length of the loan. Actually it would be impossible to operate otherwise because the discount is made at the beginning of the loan at a certain rate.

The CHAIRMAN: This provision would then not apply to demand loans?

Mr. ELDERKIN: It applies to any loan which is made on a discount basis. These are not very common; this practice seems to be on the way out with Canadian banks.

Mr. LAMBERT: You mean the casual discount?

Mr. ELDERKIN: The casual discount is going out except possibly in certain types of personal loans. Loans are now mostly all on a demand basis and on an interest-bearing basis. You could not discount on a demand basis.

The CHAIRMAN: Yes. That is what I thought.

Mr. ELDERKIN: The discount is for a fixed period.

The CHAIRMAN: So that if the loan was made on demand, even though the bank manager intimated to the customer that the customer would not be bothered particularly about the payment of the total amount for, say, two years, if the interest rate went up the bank could actually call the loan and negotiate a new one at the higher rate.

Mr. ELDERKIN: Also, if the rate went down, you see, if the customer had a demand loan from somebody, he could say he wanted to pay it off and get the new rate. If it was on that basis the bank could only charge the maximum rate, if it went down in the next half year—not on the discount but on a demand loan.

Mr. McLEAN (*Charlotte*): They do not have to call it. They just notify you that the rate has gone up.

Mr. ELDERKIN: Or down.

The CHAIRMAN: Mr. Addison, then Mr. Lind and Mr. Lambert.

Mr. ADDISON: In Clause 2, it says that "the bank shall not charge, on a loan or advance payable in Canada, any rate of interest or rate of discount exceeding the maximum rate prescribed by this section." Does this cover consumer loans whereby a bank can charge you anywhere from—

Mr. ELDERKIN: No, because that is not charged as interest. The service charge is covered by 93(3) in the negative, implied by 93(3).

Mr. ADDISON: I have a question mark beside that.

The CHAIRMAN: Do you want to wait a while?

Mr. ADDISON: This is an agreement I understand between the customer and the bank.

Mr. ELDERKIN: But this is not an agreement on interest; it is an agreement as a service charge.

Mr. ADDISON: As a service charge.

Mr. ELDERKIN: Yes. May I interject at this time that the minister announced in his second reading speech that he was going to bring in an amendment which would go into clause 91 requiring the banks to state the percentage cost of consumer loans.

Mr. ADDISON: And the amount of the charge.

Mr. ELDERKIN: And the amount of the charge, and we are working on the amendment at the present time.

It is rather intricate because it is a matter which has been under study by various provincial bodies. It is a matter which is certainly under study by the present joint committee on consumer credit. Just to show you how difficult something like this is, there are five accepted ways of calculating that particular charge. I think what we are going to have to do, and I have not consulted Mr. Ryan about this yet, is that we will have to provide that the minister may prescribe or will prescribe the method to be used. So long as it is uniform it does not make much difference. The variation can be quite substantial.

Mr. ADDISON: Section 91(2) will be amended in so far as what you are describing now.

Mr. ELDERKIN: I think it will probably be a new subclause at the end of 91.

Mr. LIND: If the minister publishes a rate of 5.2 for a six months' period, and for the next six months' period he publishes a rate of 5.3 what will be the interest rate?

Mr. ELDERKIN: But, Mr. Lind, the minister will not publish a rate, except on the even quarter. This is provided for in the act.

Mr. LIND: Yes, but does he take the quarter above or does he go back down?

Mr. ELDERKIN: He takes the nearest quarter.

Mr. LIND: The nearest quarter. He will go down sometimes and sometimes up.

Mr. ELDERKIN: That is right.

Mr. LIND: That is what I wanted to find out.

Mr. ELDERKIN: If you will look at the bottom of page 74—that is, at the end of 91(3), you will have to compliment Mr. Ryan on this. It says "calculated to the nearest one-quarter of one per cent or, if the result would be equidistant from two multiples of one-quarter of one per cent, to that multiple thereof that is the lower."

Mr. ADDISON: Good for you!

The CHAIRMAN: The committee extends its compliments to Mr. Ryan. Are you finished, Mr. Lind?

Mr. LIND: That is all I wanted to ask.

Mr. LAMBERT: I am concerned about the use of this so-called objective level of the market yield on short terms bonds of Canada, but this may be a little bit beyond your province. I was just wondering how objective that can be. As a matter of fact, I can conceive of deliberate action by the Bank of Canada at the instigation of the government to completely rig the market for a short-term gouge.

Mr. ELDERKIN: I thought you were going to say action on the part of the banks to rig the market. You could not very well rig the market on short-terms without having some influence on the whole structure so far as that goes.

Mr. LAMBERT: That would be the purpose. This is the effect of bringing the whole of the interest picture by fiscal policy under the control of the government and, in this way, there will be no such thing as a free market rate under these limited conditions.

Mr. ELDERKIN: It would depend entirely on who makes the market. The Bank of Canada is not the only person in the market by any means on the short-terms. As a matter of fact, the short-terms have a very active market, with many participants in it. It would take a considerable amount of rigging to do it. May I say, that the last time I checked, which was about a month and a half ago, there were 13 short-term securities in that field. The lowest I think there have been in a good many years was, I think, six, or maybe it was eight securities in that field. Now this takes a lot of manoeuvring.

Mr. FULTON: Does short-term bonds include then what are called the treasury bills?

Mr. ELDERKIN: No. treasury bills are not bonds under this definition. Treasury bills could be very volatile. This is a place where there could be a considerable effect, and there have been times when perhaps the Bank of Canada has taken quite a substantial interest in the treasury bill market, but this does not include treasury bills.

Mr. McLEAN (*Charlotte*): That includes the discount?

Mr. ELDERKIN: Yes, but it was market price, though.

The CHAIRMAN: Mr. Elderkin, I would like to ask you a question about the effect of clause 6 (a) on page 75. Am I right in saying that a bank, because of this and the previous sections to which I referred earlier in the afternoon, will now be able to take mortgage security on what might be called regular commercial loans?

Mr. ELDERKIN: That is right.

The CHAIRMAN: If the bank takes a mortgage as security on a regular commercial loan even while this maximum interest formula is in effect, it can charge any interest rate it wants.

Mr. ELDERKIN: That is right. This is a rather cumbersome way of handling it on a commercial loan, particularly if it is a commercial loan that has a turn-over annually. It would be a very cumbersome way of handling the credit to take a mortgage because the cost of putting the mortgage on for six months or so and taking it off again would be a very expensive operation. I would say that it would be quite possible for a bank to require a certain part of a loan to be placed on a mortgage basis. Here you will have to have what is referred to as a "clean" mortgage. In other words, the loan is on the security of real or immovable property only. There might be times, I would suggest where a bank might wish to split loans, part of it on an operating basis and part of it on a mortgage basis.

May I also point out that this would not be anything new in lendings because the banks have always been able to do this where the borrower was a corporation by requiring the corporation to issue a debenture.

The CHAIRMAN: This is covered by 6 (d).

Mr. ELDERKIN: It is the same thing.

The CHAIRMAN: That was what Mr. McLean was asking about earlier in the day. The only thing that this really does is to put the bank into a position to lend money on mortgage to people who were not able to borrow on mortgage from a bank before. Almost any corporation has the power to issue debentures or first mortgage bonds, and therefore the bank could always transact business and make loans on that basis, and it has either by direct purchase of the mortgage bonds or by lending on the security of the mortgage bonds, which they always had the power to do. I think one could say that, as a generality, the only thing that this does is to permit lending on mortgages to people, for the most part, unincorporated persons, which they could not afford except under the National Housing Act.

The CHAIRMAN: The rights to take mortgages as collateral or additional security remain unimpaired?

Mr. ELDERKIN: That is right.

Mr. McLEAN (*Charlotte*): I was thinking there about the banks issuing debentures; the bank cannot loan on those debentures.

Mr. ELDERKIN: No.

Mr. McLEAN (*Charlotte*): But can another bank loan on those debentures—its own debentures?

Mr. ELDERKIN: It cannot loan on its own debentures. If you take it in to another bank, they can loan on it. There is nothing to prohibit the bank lending on another bank's debentures.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): So really this thing could be contravened by an agreement between the banks. They could lend on each other's debentures.

Mr. ELDERKIN: You mean one could take in the other's washing?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes.

The CHAIRMAN: I presume this would be covered by the section forbidding interbank agreements?

Mr. ELDERKIN: Oh yes, that is right.

The CHAIRMAN: Are there any further questions?

Mr. LAMBERT: My question has to do with 6 (a). It is my interpretation that this would allow the merchant builder—that is, shall we say, the subdivider who has a great number of houses due to go up on which there will be mortgages—to operate under this clause or this particular subclause?

Mr. ELDERKIN: If I interpret it correctly, I think it was the person who bought from him and the bank loaned to the person who bought from him, and took a mortgage from the ultimate owner of the property. This also includes an assignment of leases, as you know.

Mr. LAMBERT: Yes.

(*Translation*)

Mr. CLERMONT: Mr. Chairman, if the average rate on short term bonds is below $4\frac{1}{2}$ per cent there is no more ceiling on the interest rate charged by the bank?

(*English*)

The CHAIRMAN: I am sorry, Mr. Clermont; there is no interpretation.

Mr. CLERMONT: That is all right. According to paragraph 9 if the average rate on short-term bonds is below $4\frac{1}{2}$ per cent there is no ceiling on interest rates charged by the bank?

Mr. ELDERKIN: That is right; the ceiling comes off.

Mr. CLERMONT: Yes, but say within a year or two it goes over $4\frac{1}{2}$ per cent what happens then?

Mr. ELDERKIN: There is no provision for putting the ceiling back on again.

Mr. CLERMONT: There is no provision to put it back?

Mr. ELDERKIN: No.

Mr. CLERMONT: If it goes over once that is the end of the ceiling rate?

Mr. ELDERKIN: That is the end of the ceiling rate, Mr. Clermont.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Elderkin, can you tell me what is the advantage of doing it this way instead of taking it off immediately—or what is the disadvantage of taking it off immediately?

Mr. ELDERKIN: I can only say that the minister felt it would be too much of a shock to do it all at one time under the present circumstances.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Could you do what the minister did not do when I asked him this question,—explain the nature of this shock—or to whom it would occur?

An hon. MEMBER: That is not quite fiscal, that is political.

The CHAIRMAN: We must not let Mr. Elderkin assume all the burden; we have to save something for the minister.

Mr. ELDERKIN: Subclause 10 of Section 91 states that there will be a notice in the Canada Gazette when the section expires. Also there is a proposed amendment before you in subclause 9 to add, where it refers to section 92, to sections 112 and 151. Sections 112 and 151 are the penalty section for excessive charges and the return section. These sections expire at the same time as section 91.

The CHAIRMAN: May I ask you a question about section 92?

Mr. ELDERKIN: Yes.

The CHAIRMAN: If a bank is going to be able to charge, in effect, any interest rate which seems to be advisable, based on the risk of the loan and its problems on the market and so on, what is the rationale of permitting it to charge something in addition to the discount which is the interest? In other words, why should not the interest charged incorporate the cost of handling the document?

Mr. ELDERKIN: Let me put it this way. When a bill of exchange is discounted there is a question of the discount to maturity and there is also the question of the collection charge. This is a very usual way of financing in certain industries, particularly in the cloak and suit trade where they do a great amount of financing on discounting of paper. What happens here is that the bank has to carry this and also has to do the collecting so this provision lays down a maximum charge which the bank may make when it is discounted at another branch, and another maximum charge when it is discounted at a branch of another bank.

The CHAIRMAN: Would there be any difference in letting this be incorporated in the discount?

Mr. ELDERKIN: Well, except that the discount is limited because it is a form of interest.

The CHAIRMAN: Perhaps I am not making myself clear. Why could not the interest rate reflect the cost of collecting on the acceptance or the draft and not have a charge?

Mr. ELDERKIN: Because your interest rate may be at the maximum permitted for interest or discount, and on top of that there may be a collection charge.

The CHAIRMAN: My question, I must say, referred more specifically to after the maximum rate expires.

Mr. ELDERKIN: If you look up section 92, subsection 9, you will find it expires when the interest rate comes off.

Mr. CLERMONT: Mr. Chairman, will Section 92 apply to cheques?

Mr. ELDERKIN: No, they do not apply to cheques although I must say this is quite the usual tariff on collecting cheques. But this does not apply to cheques.

Mr. CLERMONT: The rate seems to be familiar.

Mr. ELDERKIN: This is quite the usual tariff on that.

Mr. McLEAN (Charlotte): Recently the banks increased their charges on collections on foreign bills and one thing and another. Is that covered by the Bank Act at all or are they free to do whatever they like in that area?

Mr. ELDERKIN: Are you thinking of, for instance, a foreign cheque?

Mr. McLEAN (Charlotte): Yes sir, a foreign draft.

Mr. ELDERKIN: Well normally this is not covered by the Bank Act but it is normally within the rates of exchange for that particular country which are published daily by the Bank of Canada.

Mr. McLEAN (Charlotte): Well I noticed that the letters coming out were exactly the same although they were coming from different banks. Was that dictated by the Bank of Canada or the bankers association?

Mr. ELDERKIN: No, it is not dictated by the Bank of Canada.

Mr. McLEAN (Charlotte): It might be from the Bankers Association?

Mr. ELDERKIN: The Bankers Association as such, I do not think, do any dictating. It is possible a couple of its officials got together.

The CHAIRMAN: Perhaps you could go on to Section 93.

Mr. ELDERKIN: In Section 93 there is a change by an addition of subclause (2). As you are aware the government carries balances with the chartered banks for operating purposes. There are enormous clearing balances required with them, and the way it is operated at the present time is that the banks pay interest on all balances which total over \$100 million. The Auditor General raised a question on this point and, at the request of the Department of Finance, subclause 2 was placed in here so there was clear authority for the government to carry non-interest bearing deposits.

Mr. CLERMONT: Mr. Chairman, the minimum or maximum charges to be named by the bank is left to be decided by the bank and its customer?

Mr. ELDERKIN: Between the bank and its customer on service charges, yes.

Mr. ADDISON: May I ask the inspector, what is the purpose of this section in the bill?

Mr. ELDERKIN: Is that subclause 2?

Mr. ADDISON: Subsection 3, of section 93.

Mr. ELDERKIN: The history of this goes back a great many years. It was proposed by a member from Alberta, Mr. Coote, because he wanted to have a provision in the bill that the customer would have to expressly agree to any charge that was being made to him, and that the bank could not, on its own, without an express agreement, make a service charge.

Mr. ADDISON: Is it unlawful, in this wording, for the banks to refuse to lend funds to an individual if he does not agree to a service charge?

Mr. ELDERKIN: There is no requirement anywhere in the act which says that the bank must lend money, or must accept a deposit.

Mr. ADDISON: I appreciate that; but is there any provision whereby, if the customer does not agree to a service charge, he will be refused the loan?

Mr. ELDERKIN: It comes down to the same thing, Mr. Addison, that the bank simply says that they refuse the loan, whatever the occasion is. They do not have to make loans.

Mr. ADDISON: Is a person required to pay a service charge?

Mr. ELDERKIN: Only if he expressly agrees to it and has to sign a document to that effect.

The CHAIRMAN: I suppose that if he does not agree to it he does not get his loan.

Mr. ELDERKIN: That is quite probable.

Mr. ADDISON: The purpose of this, I suppose, was to make up the difference in operating costs over the 6 per cent ceiling.

Mr. ELDERKIN: Not originally, because when this was put in—as a matter of fact, when this was put in the ceiling was 7 per cent—the purpose of this was to require that the banks get express agreement from the customer for such charges as overdraft charges, n.s.f. cheques, per item charges—all of these charges. This is what it originally referred to more than anything else. I do not think that the interest was involved in it at all when this particular subsection was put in.

Mr. ADDISON: Mr. Chairman, we are talking about freezing interest rates completely after the figure is worked out, with no inhibitions in so far as the amount of interest that can be charged the customer in order to obtain a loan.

Mr. ELDERKIN: May I interject? There is an inhibition on the amount of interest. There are no inhibitions, if you will, on the additional service charges which may be made except that he must expressly agree to them. But he cannot be charged any interest over the maximum rate.

Mr. ADDISON: Once the ceiling is off?

Mr. ELDERKIN: Once the ceiling is off, yes, surely.

Mr. ADDISON: That is what I am talking about. Once the ceiling is off—

Mr. ELDERKIN: I should say that once the ceiling is off, in all likelihood this would revert to its original intention which was to cover per item charges and such things as that.

Mr. ADDISON: When did Mr. Coote bring this in? When did Mr. Coote move this amendment? Was it about 1934?

Mr. ELDERKIN: When did Mr. Coote move this amendment? Do you remember?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): No, I do not recall; but it would be in the thirties.

Mr. ELDERKIN: I think it was the 1934 amendment.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I have been seated since 1935 so it must have been in 1934.

Mr. ELDERKIN: I think it was a 1934 amendment, if I remember correctly. I can get that information for you, Mr. Addison, if you wish.

Mr. ADDISON: Could I ask one more question, Mr. Chairman. I am sorry to take the Inspector's time. Is there a schedule of fees or a schedule of service charges which is similar in each bank across the country?

Mr. ELDERKIN: No, they differ quite substantially... Well, not very substantially. You will find some slight differences in all the schedules for service charges on personal loans from one bank to another.

Mr. ADDISON: Could these service charges for each individual bank be made available to the committee?

Mr. ELDERKIN: I suggest you could ask the banks for them.

The CHAIRMAN: I might say this that there are representatives of the various chartered banks and the Bankers Association listening to our proceedings. I presume that they are taking great interest in the type of questions we are asking, and it may be helpful, in our questioning of them when they appear before us later, if they take note of questions of this type and consider having this type of information available, if for no other reason than it might involve some saving of time.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): We may have forearmed them.

Mr. ELDERKIN: I think what Mr. Addison is referring to are the personal loan plans. The personal loan plans are about the only place where the service charge is added on to the cost of the loan.

The CHAIRMAN: Are there not charges for cheques?

Mr. ELDERKIN: Yes; but I was thinking on the cost of loans. There are charges for n.s.f. cheques; there are per item charges for activity in an account, and such things. I think that probably what you are thinking about are the ones that are added to the cost of a loan.

Mr. ADDISON: I was thinking really of the schedule of charges, all the normal charges.

Mr. ELDERKIN: There are many charges.

The CHAIRMAN: Could I, perhaps, ask something again? In effect, therefore, while the interest rate ceiling is on, charges can be added by agreement, which would materially affect the cost of the loan?

Mr. ELDERKIN: That is right. The personal loan plans run in total cost from 9 to slightly over 11 per cent, depending on various things such as the term of the loan, and they vary between banks. This is the amendment to which I have referred, which will be presented to the committee before it rises, which will require the banks to state the true cost of the loan including interest and service charges.

This is the requirement which I think the joint committee on Consumer Credit is looking for.

The CHAIRMAN: The next thing I want to ask is roughly what I asked under section 92, and I perhaps should have asked it here. Once the interest rate is removed, what is the rationale for having service charges when perhaps these items could be incorporated in the cost of the loan through the interest rate?

Mr. ELDERKIN: There may be none on loans, but there will still be service charges on many other operations of the bank.

The service charges on loans are only one type of service charges that is made by the banks. You have, as I said a few minutes ago, service charges on the activity in the account; you have service charges on n.s.f. cheques; and service charges on many items of that kind. If you wanted to bar service charges on a loan, there are again difficulties, perhaps, in the relating to loans, but the banks would not have any particular reason for making a service charge on a loan if the interest rate was removed. But there would be many other places where they would require service charges.

The CHAIRMAN: I have just one further point—

Mr. CLERMONT: Did Mr. Elderkin say that they may be required, or that they will do? He said there would be many other fields in which the banks will require a service charge. Did you use the word "required" or "will make"?

Mr. ELDERKIN: I said where the bank may require service charges.

The CHAIRMAN: What is the authorization at the present time for the banks requiring minimum balances for borrowers?

Mr. ELDERKIN: There are two. Let us start out by saying that there is no prohibition in legislation which would prevent them requiring minimum balances. The minimum balance requirement is often not in connection with a loan at all. It is in connection with the cost of the operation of the account.

The CHAIRMAN: Is that not the same thing?

Mr. ELDERKIN: No, because there may be no loan whatsoever. Some of the very large corporations, with multiple branches, which do a very substantial checking business, are very costly accounts to operate. In fact, probably the biggest corporations in Canada are the least remunerative when it comes to operating their current accounts, and the banks will often demand from them that they keep a minimum balance. Instead of making a per item service charge they will require a minimum balance on deposits.

In effect, it would be extremely difficult to legislate anything which would prohibit minimum balances for the reason that they often have no relationship to a loan of any kind whatsoever.

Mr. FULTON: You surely could make it illegal to require minimum balances where the account is created by a loan.

Mr. ELDERKIN: No; not where the account was created by a loan, because the deposit account created by a loan may be a very expensive account to operate.

Mr. FULTON: I am sure they get the cost out of it on the interest rate they charge.

Mr. ELDERKIN: They can, by charges, or they can—well, as long as they are within a maximum interest rate, no. There may be no loan whatsoever, and there may be occasions where there is a loan but where the account is a very expensive account to operate. You could do it two ways, perhaps. You could put service charges on that account, or you can put minimum balances on it. There are two ways that they could operate it; and for the most part, because of the administrative detail, both the bank and the borrower would probably prefer a minimum balance to having dozens and dozens of service charges to account for.

The CHAIRMAN: Therefore, the reason the banks are able to insist on minimum balances now is simply that there is no prohibition in the existing legislation?

Mr. ELDERKIN: That is right. There is no prohibition in the existing legislation.

The CHAIRMAN: And there is none in the new legislation?

Mr. ELDERKIN: There is none in the new legislation, no. One may assume, Mr. Chairman, if I might add to that again, that when the interest rate comes off, as far as the loan side of it is concerned there would be no advantage to minimum balances. If it is an account which is purely an operating account then, without doubt, the bank would insist either on service charges or on minimum balances.

I might just add something here of interest to the Committee, perhaps, that compensating balances, so-called, are regular methods of business in most of the American banks—the New York banks particularly. When one reads of a prime rate of four and a half, or five, or five and a half in the New York bank lending, it does not mean that that is the effective rate at all, because the banks may require from one borrower a 10 per cent compensating balance, and from another borrower a 20 per cent compensating balance, but the so-called prime rate may, perhaps, be four and a half for both of them.

The CHAIRMAN: That could be a form of competition.

Mr. ELDERKIN: It is a form of competition in the fact that they are offering a so-called prime rate to competitors, perhaps.

Mr. LIND: I have two questions. First, on the minimum balance, what is the usual rate of interest charged by the banks at the present time? Is it six per cent, or is it one per cent?

Mr. ELDERKIN: Are you speaking on the loan side?

Mr. LIND: Yes.

Mr. ELDERKIN: I think that practically all commercial loans now are six per cent.

Mr. LIND: Do you still pay six per cent on the minimum balance that you must retain in your account?

Mr. ELDERKIN: You do not pay anything on it. The minimum balance is a deposit, and the deposit gets no interest.

Mr. LIND: Yes, it is a deposit with no interest; but does the borrower pay a charge?

Mr. ELDERKIN: Oh, he pays interest.

Mr. LIND: What is the rate?

Mr. ELDERKIN: If you had a 10 per cent minimum balance at a six per cent maximum loan rate you would get a 6.6 per cent effective rate. If you had a 20 per cent minimum balance you would get a 7.2 per cent effective rate.

Mr. LIND: My second question is: Do the banks use this for making cheques negotiable at par across Canada, or is it a method similar to this?

Mr. ELDERKIN: Yes; this probably was one of the factors in par clearing. The banks can correct me on this, but I am afraid that the original intent of par clearing, or the condition under which you get par clearing, has been violated long ago. Par clearing seems to have gone more from the point of prestige than from the point of view of how valuable the account is. Some of the people who have par clearing privileges today would, if they were not required to maintain a minimum balance, operate at a loss to the bank.

The CHAIRMAN: Perhaps we can interrupt our questioning here for a moment to discuss our procedure.

If we are to sit tonight, this would be the time to decide so that notices can be sent out.

I would recommend to the Committee that we consider it. I think we are making pretty good progress. We have gone over some of the most complex sections, if I am not mistaken.

Then, of course, next week we contemplated beginning with Mr. Rasminsky and the Bank of Canada legislation.

An alternative might be to sit tomorrow morning for an hour, before the sitting of the house. But I would suggest to the Committee that we attempt to meet this evening to complete the explanatory stage of this legislation, and then we would be ready next week for our study of the Bank of Canada in a preliminary way.

Can I have comments?

Mr. LAMBERT: Do you think we can finish it by tonight?

Mr. ELDERKIN: I think, Mr. Lambert, that there is relatively little that requires any discussion in the balance.

Mr. THOMPSON: I would suggest, Mr. Chairman, that if we are going to sit tonight we might adjourn at the present time to enable some of us to be back here.

The CHAIRMAN: I would recommend that the Committee consider meeting tonight. I am not urging the Committee to meet tomorrow, but if we do not I would recommend that we consider meeting tonight, and perhaps adjourn right now.

Mr. CLERMONT: Mr. Chairman, I will move that we meet tonight at 8 o'clock.

The CHAIRMAN: Adjourning at the present time?

Mr. CLERMONT: Yes.

The CHAIRMAN: Are we agreed?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: We will recess until 8 o'clock.

EVENING SITTING

The CHAIRMAN: I think I have an obligation to bring to the attention of the Committee this paragraph in the Seventh Report of the Standing Committee on Public Accounts, which arises out of consideration of some comments in the Auditor General's report for the fiscal years ending March 31, 1964 and 1965. It fits into the area we have just been discussing and, therefore, I will read it. The heading is indirect compensation to chartered banks:

In its Fourth Report 1963 and Sixth Report 1964 the Committee advised the House that the arrangement existing between the chartered banks and the Government of Canada constitutes indirect compensation to the chartered banks and that this may be construed as being contrary to the intent of section 93(1) of the Bank Act.

The Committee again reiterates its belief that if the banks are to be compensated for services provided to the Crown, consideration should be given to the most equitable manner in which this may be done, with statutory sanction being given by means of an appropriate amendment to the Bank Act.

The Committee has noted that notwithstanding this recommendation, Bill C-222, An Act respecting Banks and Banking, given first reading on July 7, 1966, includes a provision under sub-clause (2) of clause 93 designed to permit the continuation of the practice of compensating the banks indirectly for services provided to the Crown by keeping non-interest bearing funds (currently an aggregate of \$100 million) on deposit with them.

In the opinion of the Committee the proposed amendment does not meet the recommendation of the Committee and it requests the Department of Finance to provide to the Committee an explanation as to why it considers that an amount of \$100 million should be left on deposit with the chartered banks free of interest, and why, if it considers that the chartered banks should be compensated for the service provided by them to the Government, it has not recommended that subsection (1) of section 93 of the Bank Act be amended to permit this, and also what other means of compensating the banks for services rendered were considered and the reasons why they are being discarded.

Since this is a direct comment on the matter we have been discussing today, I think it would be appropriate if I asked Mr.—

Mr. McLEAN (*Charlotte*): Mr. Chairman, I am on the Public Accounts Committee, and I would like to say a word on this.

This \$100 million may not be a \$100 million on deposit. The Dominion of Canada issues cheques all over the place, and there are a lot of cheques outstanding and if they were all cashed at once the \$100 million would disappear. I know that some companies do that. In fact, Canada Packers do that. They show a credit balance of so much in the bank, and on the other side they show outstanding cheques; and if they were doing it according to our banking, they would show a debit balance; but if the cheques do not come in, then they have a credit balance there.

I think it might be a disservice to the government to say not to have this, and to pay the banks, because if they went according to ordinary banking—the way we keep the books on debit and credit entry—a company, or the country, would show that they had a credit balance. The banks would have a credit balance of \$100 million and perhaps they should not have a credit balance there at all; because if they wanted to cover all their cheques, they might have to have \$200 million there, or \$300 million. I think we might be doing a disservice if we said “Do not do that.” I know of some companies who do that. They say: “We will keep a credit balance in the bank of \$80,000 or \$100,000.” But against that, they may have cheques outstanding for \$150,000. Until those cheques come in, and it may be 5, 6 or 7 days that the cheques are outstanding, they are going to have that credit in the bank.

The CHAIRMAN: Thank you very much, Dr. McLean, for this comment. All I really had in mind, at the moment was to get some comment from Mr. Elderkin with respect to this provision of the new Bank Act being in the form it is, in the light of these comments in the Public Accounts Committee's most recent report. I thought we could bear this topic in mind when we come to our more detailed discussion on the merits of each part of the legislation.

Mr. ELDERKIN: Subsection (2) was put in at the suggestion of the Department of Finance to cover the fact that they were at liberty to make any arrangements which they saw fit for this purpose.

I might just add a sentence or two to what Dr. McLean has said. If you understand the way in which the Government of Canada keeps its books, the \$100 million is as it appears on the books of the government and is not the amount that is held by the banks.

Mr. CLERMONT: Mr. McLean said that if all the cheques were cashed at once the amount might be greater than the \$100 million. I hope the government do not issue cheques which they do not have the funds to cover.

Mr. ELDERKIN: Mr. Clermont, there is often much more on deposit with the banks than the \$100 million, but everything over \$100 million receives interest.

Mr. CLERMONT: I would agree that if they issue cheques, say, for \$100 million and they were all cashed within two or three days there would be no balance.

Mr. ELDERKIN: There might be a balance, because there is more money on deposit than the \$100 million.

The CHAIRMAN: Is the arrangement that up to \$100 million can remain on deposit without interest being paid?

Mr. ELDERKIN: Up to \$100 million, but not necessarily \$100 million. The sum might drop below that amount, but up to \$100 million it does not draw interest. May I repeat that it is according to the books of the government, not according to the books of the banks.

Mr. LAMBERT: Mr. Chairman, there is another thing. The banking system is carrying, from the point of cashing the cheque to the time when it reaches the account, where the cheque is to be charged, millions and millions of cheques of the Crown. As a matter of fact, as of today the government issued the salary cheques on October 27, dated October 31, yet no bank will turn them down. But that cheque cannot be put into the account prior to October 31.

This is a practice, and frankly I am not at all impressed by the comment of the Public Accounts Committee. I am not worried about it one bit.

The CHAIRMAN: I thought it would be useful if we explored the situation at least in a preliminary way at this time.

Mr. ADDISON: Mr. Chairman, I was just wondering about this gentleman sitting here. It is not normal, I suppose, to ask people to identify themselves, but it is unusual for one observer to sit behind two witnesses and I was wondering if he would identify himself.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I will answer that for you, if you wish. We are following a precedent that was established during the last hearing of the Bank Act, in which not only my party, but other parties, had with them economic advisers, if you like, to give advice as the hearings go along. I may tell you that in the last occasion, the Chairman, the present Senator David Croll, suggested that my adviser should sit with me by the table, and he did sit alongside me. There is nothing mysterious about this.

Mr. ADDISON: I just wanted to clarify the situation, because I was curious, and other members were also curious.

The CHAIRMAN: You know a lot more about banking now therefore he can stay behind you? Is that the idea?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I am always ready to learn. I might say that at one of the hearings in the last day or two one of the bank officials was sitting directly behind me.

The CHAIRMAN: I think Mr. Addison has made a point, which may be useful as far as our further proceedings are concerned. I think, to keep things orderly, we should ask that people who are just spectators, who have a watching brief should remain in the general area for spectators, with the press being at the press table, and that the seats surrounding the tables occupied by the Committee should be used by the advisers of the members of the Committee as well as those testifying and those who are there to advise the witnesses. Otherwise, there could be some confusion and I think Mr. Addison in that sense, he made a useful point.

If there are no further questions about clause 93 perhaps we can move on.

Mr. ELDERKIN: Clause 94 refers to unclaimed deposits and other unclaimed balances. There is a minor amendment in paragraph (b), which is only for clarification purposes. It does not change the intent or practice of the present time. That is, it specifically excludes a dividend cheque of the bank from being an unclaimed balance.

In referring to clause 94, I mentioned before that the Bank of Canada Act will be up for amendment, whereby balances under \$25, as compared with under \$10 at the present time, will be prescribed after 30 years if they are unclaimed.

Clause 96 has a change in subsection (4). This subsection has been amended to provide that a process in the nature of a seizure shall be effective only as regards to the branch at which it is served. There was some doubt about that before, whether it meant the whole bank or not.

Mr. CLERMONT: I have a short question. I know I could get the answer from Bill No. C-222, but there is no question of the age for a depositor. I know that in some quarters of the public they think a depositor should be 16, 18 or 21 years of age.

Mr. ELDERKIN: There is nothing in the act. They may accept a deposit from a minor.

Mr. CLERMONT: Thank you.

Mr. ELDERKIN: Section 97 has been somewhat redrafted. There is, in the present act, a limitation of \$2,000 on transmission of a debt owing by reason of a deposit, because of death, which a bank might do without any evidence other than that which was in their possession. This no longer seems appropriate. The limitation of the amount once appeared also in the present section 95, which was eliminated in 1954.

The amendment should facilitate prompt dealing with credit balances of deceased depositors, and it seems desirable that it should apply whatever the amount of the deposit.

The changes in language are designed to make this section more effective and to make it applicable in respect of intestate successions in the province of Quebec. This was made with the help of counsel from the province of Quebec.

Mr. LAMBERT: If I may, with my apologies, go back to clause 96, on the question of trusts, in your experience, Mr. Elderkin, have you run into any difficulties arising out of a clash between this section and sections in the British Columbia Mechanics Lien Act—and I believe there are also some recent cases here in Ontario—where there are actual trusts imposed on moneys in the hands of contractors who have been paid by the owner of a property going up, the trust being imposed on the moneys in favour of wage earners and lien holders?

Mr. ELDERKIN: Yes; the banks have had some rather unfortunate experiences of this where, having collected money on account of a loan they found out they had to refund it.

Mr. LAMBERT: Particularly, for instance, where the bank held a general assignment of mortgage funds from the contractor, and yet here this mechanics lien act coming in and superimposing a trust on it.

Has any thought been given to finding out where there might be some means of working this out?

Mr. ELDERKIN: There have been some cases that I know of in banking circles, where the banks went even farther than what you mention, and the banks actually have paid off part of a loan and had to refund it to the trustee, because of the provincial mechanics liens acts. There is no attempt in here to override the provincial acts in that respect.

You may get some rather interesting evidence on this when you have the banks in front of you.

The CHAIRMAN: I would like to revert to this amendment that you referred to. Inasmuch as we have a relatively small number of banks, though a large number of branches, what is the intent behind ensuring that the writ or other process will only bind property at the branch at which it is served? Will that not be a disservice to the public?

Mr. ELDERKIN: If it were on the bank as a whole presumably you would have to serve it at every branch of the bank in Canada.

The CHAIRMAN: Why not service at the head office?

Mr. ELDERKIN: No, apparently not. The head office is a branch, in the definition of the act.

The CHAIRMAN: Could this not work to the disadvantage of a member of the public in a law suit, who would have to run around serving these documents on perhaps several dozen branches?

Mr. ELDERKIN: There might be several dozen branches of different banks as far as that is concerned, but the object here, is frankly, to relieve the bank of the responsibility from having to serve, or answer a service, for every branch in Canada, which they would otherwise have to do.

The CHAIRMAN: Perhaps we can proceed.

Mr. ELDERKIN: In clause 97, I have explained the reason for the changes, and you have an amendment in those which have been filed with you. It is exactly the same, and for the same purpose as an amendment which you had on clause 51(1). The wording is the same, and it simply follows through that the bank may satisfy itself that the transmission is all right.

Mr. LAMBERT: I think there is a related problem. In the nature of some of the savings accounts—and this may apply to some of the current accounts—where the customer of the bank signs a joint and several account form, there is the question of whether the surviving joint customer is entitled to draw upon the funds—whether, where you are joint owners, just as under a joint title for property, it passes on automatic transmission by death, and there is no division as there would be if you each have an undivided half interest in property. There is a distinction between a joint ownership and a joint tenancy account. I have noticed that some of the banks operate on different principles in regard to this, in that you have to examine the nature of the account before you can tell a client what is going to happen to the money which is in his savings account.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What do you mean by "the nature of the account"?

Mr. LAMBERT: Some of them operate more on the basis of tenants in common, where each person is entitled to a half of the account; whereas under a joint account, or a joint tenancy, on death the survivor is entitled to the whole.

Mr. ELDERKIN: I think, perhaps, we are getting into a particular point. I can only answer it in this way, that normally if there is an account in which there is joint ownership either one or the other may sign; and that account will be tied up on the death.

Mr. LAMBERT: Well, this is something maybe we can get at with the banks, because I know it certainly does create problems, because some bank manager says that he will allow the widow to draw \$500 or \$800, and then it turns out that she was entitled to the whole lot.

Mr. ELDERKIN: I think there is a certain amount of that, anyway, under Section 97 in which the banks have some option in allowing some withdrawals; but this does not remove it out of the estate.

My friend, Mr. Ryan, can better explain this.

Mr. RYAN: I am afraid you are away over my head, too.

Mr. ELDERKIN: I know that there are different cases of this. As a matter of fact I think in some cases, if not all, these come under the estate laws of the province.

However, I think I would rather leave that to somebody who is more competent to answer it than I am.

The CHAIRMAN: Perhaps, Mr. Ryan, you might look into that, and report back to us later.

Would you proceed please, Mr. Elderkin.

Mr. ELDERKIN: In section 99, which deals with amalgamation, there is nothing new at all.

In Section 100, which also deals with amalgamation, there are some changes in wording, but actually no change in meaning at all.

Mr. LIND: Mr. Chairman, before we go too far with this what if some foreign-controlled bank would like to buy into one of our Canadian banks? What percentage can they buy now?

Mr. ELDERKIN: Ten per cent.

Mr. LIND: They can only buy ten? What restriction do we put on foreign banks?

Mr. ELDERKIN: There is no restriction up to the ten per cent. Do you mean to buy shares?

Mr. LIND: To loan in a country.

Mr. ELDERKIN: No foreign banks carry on business in our country; they cannot, under their own name. You will see in a later section, that no bank may carry on business in the name of a bank except if authorized by parliament to do so.

Mr. LIND: I thought there was one carrying on business now.

Mr. ELDERKIN: No; you have a bank which is wholly-owned by foreign interests, but that occurred under the present Bank Act.

Mr. LIND: Can we limit them at all.

Mr. ELDERKIN: In what?

Mr. LIND: In how much they can loan out.

Mr. ELDERKIN: In effect, yes. If we want to go back to Section 75(2) (g) there is a limitation on the amount of their liabilities, which also limits the amount of their loans and other assets, as related to their authorized capital.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): May I ask a question on this.

The CHAIRMAN: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Island*): In light of what you told us this afternoon, Mr. Elderkin, would it be possible for a group of non-Canadians to establish an institution which would refrain from using the words, "bank," "banking," or "bankers" to carry on all the functions that are outlined as within the powers of chartered banks. Is there any way they could be stopped?

Mr. ELDERKIN: Well, most of the functions; maybe some of the ancillary functions, they would not. You have a situation like that at the present time—in fact, you have two, or more than two—but you have one which I could possibly call to your attention, and that is the *Crédit Suisse*. The *Crédit Suisse* never did have the name bank in their title even in Switzerland so they operate under a charter here of the *Crédit Suisse*, which is a provincial charter. In effect, they use the same name, but they do not take deposits here to any extent. Most of their money is derived from their parent bank in Switzerland.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): But there would be nothing to prevent them from taking deposits here.

Mr. ELDERKIN: No; there is nothing to prevent them in their provincial charter.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is not prohibited.

Mr. ELDERKIN: It permits them to do so. Let us put it that way.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It permits them to do so.

(Translation)

Mr. CLERMONT: Mr. Chairman, Mr. Elderkin said that a non-resident could not hold more than 10 per cent of a bank's holdings—

(English)

Mr. ELDERKIN: I am sorry, Mr. Clermont.

(Translation)

Mr. CLERMONT: Mr. Elderkin, you mentioned in reply to a question posed by Mr. Lind that non-residents could not hold more than 10 per cent. Is this one shareholder or an associated group of shareholders? Because at section 53, I think, you mentioned "not exceeding 25 per cent".

(English)

Mr. ELDERKIN: No; the total foreign interests in a Canadian bank—when this section comes in—cannot exceed 25 per cent.

Mr. CLERMONT: Yes.

Mr. ELDERKIN: The total individual interest, whether resident or non-resident, cannot exceed 10 per cent.

(Translation)

Mr. CLERMONT: Yes, but a group of non-resident shareholders could hold up to 25 per cent of the shares in a Canadian bank, then?

(English)

Mr. ELDERKIN: We have some banks which have very close to 25 per cent foreign ownership now.

The CHAIRMAN: I think Mr. McLean actually was next.

Mr. McLEAN (*Charlotte*): With reference to foreign ownership: with banks today it is not a question of ownership; it is the question of management, as I see it. If a foreign bank came in here and organized and sold their stock in Canada they could own enough stock to give them management, as far as I can see.

Mr. ELDERKIN: That 10 per cent?

Mr. McLEAN (*Charlotte*): Yes, 10 per cent. But you say that the foreign bank is limited to 25 per cent.

Mr. ELDERKIN: Total foreign ownership.

Mr. McLEAN (*Charlotte*): Total foreign ownership?

Mr. ELDERKIN: Yes. Individual ownership is 10 per cent.

Mr. McLEAN (*Charlotte*): I know; but they could easily arrange 25 per cent which would give them absolute control of any bank they wanted to establish here. Therefore I cannot see any reason why foreign banks could not come in here; and I do not see any reason why you should restrict them.

Mr. ELDERKIN: In the first place they would have to get a charter.

Mr. McLEAN (*Charlotte*): Well, yes, they would have to get a charter; but if they were going to sell their stock in Canada they could get a charter.

Mr. ELDERKIN: No; not unless Parliament saw fit to do it.

Mr. McLEAN (*Charlotte*): They could get a charter.

Mr. ELDERKIN: Not unless Parliament sees fit to give it to them.

Mr. McLEAN (*Charlotte*): Well, I do not see that. If it is under these rules, I do not see why they could not get a charter.

Mr. LAMBERT: If Parliament gives it to them.

The CHAIRMAN: No one has any guarantee that Parliament will approve of the application. I presume that is your point, Mr. Lambert.

Mr. LAMBERT: Yes.

Mr. ADDISON: Mr. Chairman, I was wondering if I could ask the inspector this question: The former minister of finance suggested that one of our Canadian chartered banks was in danger of falling under foreign control. I was wondering if he would care to identify that bank?

Mr. ELDERKIN: I do not know which one it was.

The CHAIRMAN: Mr. Elderkin, is there anything in this act, or in the existing law, governing management contracts?

Mr. ELDERKIN: No; this is entirely up to the shareholders. There is no permission in this act either for stock option?

The CHAIRMAN: When I say "management contract" I am referring to a contract whereby a chartered bank, with less than 25 per cent foreign owner-

ship, might sign a contract with a foreign bank so that that bank could provide the senior management personnel.

Mr. ELDERKIN: I suppose so, if the shareholders voted to that effect, but it would have to be in the shareholders' bylaw.

The CHAIRMAN: This type of thing is not covered at all.

Mr. ELDERKIN: No; because the management is entirely within the powers of the shareholders.

Mr. McLEAN (*Charlotte*): The shareholders are only interested in dividends.

The CHAIRMAN: Where were we?

Mr. ELDERKIN: I think we had finished with 100, and we are moving on to 101. There is an amendment proposed to subsection (4), which has been placed before you.

The present subsection refers to voting on amalgamation proposals, and as it is written now it requires the votes of two-thirds of the subscribed capital stock of the bank. Now, in view of the restriction on voting included in clauses 52 to 57 it may be very difficult to obtain this number of votes. Incidentally there are many safeguards on amalgamations: the agreement cannot be submitted to shareholders unless it is approved by the Minister of Finance; the agreement cannot be ratified unless it is approved by the Governor in Council, even after the shareholders vote, and in view of the many difficulties that apparently surround this vote, we are suggesting that this be changed to a resolution carried by not less than two-thirds of the votes cast by the shareholders present in person or represented by proxy at the meeting. I might point out that the Canada Corporations Act requires only a majority vote of the shareholders present at the meeting. We are suggesting here two-thirds of the shareholders present at the meeting.

Mr. LAMBERT: Well, Mr. Chairman, I think this is a very sensible amendment because the act presently provides for veto by absence, which is quite wrong and never appears in any articles or memoranda of association.

Mr. ELDERKIN: Veto by absence, Mr. Lambert or veto by shareholders who were not able to vote, but who have kept votes because of other provisions in the act.

Mr. McLEAN (*Charlotte*): I do not think it makes any difference whether it is two-thirds or one-half. If they are making a fast buck they will vote.

Mr. ELDERKIN: Yes, but a great number of people do not bother sending in their proxies, you know.

(*Translation*)

Mr. CLERMONT: This proportion of two-thirds, has this existed for a long time? For amalgamation of banks?

(*English*)

Mr. ELDERKIN: The two-thirds of the total shares outstanding yes, and this has existed for some time. But the primary reason for the change is because of the fact that we are creating in clauses 52 to 57 of this bill a possible substantial

number of shareholders who have not the right to vote, so it is not practical to relate this anymore to the total number of shares outstanding. That is the only change there, and there is no change in section 102.

Now we come to section 103 and this and the following have to do with returns made to the minister; the only changes are in one or two cases where we have changed the period in which the return is to be made.

Mr. McLEAN (*Charlotte*): Mr. Chairman, I would like to ask a question. It seems there was a failure in Detroit recently and some Canadian banks were involved. It was quite substantial. How did they get that way? I would like to know how they can go down to the United States and lose money of depositors up here in Canada?

Mr. ELDERKIN: In the first place, the money that is down there may not be entirely from depositors in Canada because they also have deposits from the United States—in fact, substantial ones.

Mr. McLEAN (*Charlotte*): Well, how substantial?

Mr. ELDERKIN: In United States dollars, very substantial amounts—some of them. I cannot distinguish them to you tonight because I do not have the statistics in front of me, but they receive deposits from residents of the United States. They receive deposits from residents of other countries as well.

Mr. McLEAN (*Charlotte*): The banks in Canada also receive deposits in United States dollars?

Mr. ELDERKIN: This is what I was referring to.

Mr. McLEAN (*Charlotte*): They receive them here in Canada and they have them on deposit here in Canada.

Mr. ELDERKIN: Sometimes here and sometimes in New York.

Mr. McLEAN (*Charlotte*): Of course, you do not know whether they transfer them down there or not. But if they are transferring them down to Detroit and losing them, well—

Mr. ELDERKIN: I am not sure of the case you are speaking of and what the loss was?

The CHAIRMAN: I think he is referring to the failure of the public bank in Detroit.

Mr. ELDERKIN: I was not aware that the Canadian banks had lost any money in that.

Mr. McLEAN (*Charlotte*): They may not have lost but they apparently are going to lose it.

The CHAIRMAN: Are you referring to deposits or loans to this bank?

Mr. McLEAN (*Charlotte*): Loans down there.

The CHAIRMAN: Loans made by Canadian banks?

Mr. McLEAN (*Charlotte*): What about Pioneer Trust Company?

The CHAIRMAN: Just a moment. Coming from the city of Windsor I have some access to the Detroit media. We have to distinguish between two things: the failure of the public bank, which was—

Mr. McLEAN (*Charlotte*): No, no, this was not a public bank.

The CHAIRMAN: Oh, you are talking about Pioneer Finance.

Mr. McLEAN (*Charlotte*): Well it was Pioneer something.

The CHAIRMAN: There are two but they are not connected.

Mr. McLEAN (*Charlotte*): I did not say they were connected.

The CHAIRMAN: Well are you talking about the public bank or Pioneer Finance?

Mr. McLEAN (*Charlotte*): I am talking about the Canadian banks losing money down there to a trust company, Pioneer Finance.

The CHAIRMAN: I think Pioneer Finance was a finance company which began its activities by dealing mainly in mobile home contracts and got into trouble when it tried to deal in contracts for what they call shell homes. I think there are some discussions going on in the United States now for the possible take-over of Pioneer Finance by General Acceptance. This may be familiar to you.

Mr. McLEAN (*Charlotte*): But what are we doing down there?

The CHAIRMAN: I do not know. Are we there? Do your returns, Mr. Elderkin, show loans by Canadian banks to Pioneer Finance?

Mr. ELDERKIN: I cannot tell you that offhand. I would have to look it up. But just as a generality, Canadian banks lend money all over the world.

Mr. McLEAN (*Charlotte*): I know they do but this is a particular instance. Are you familiar with it?

Mr. ELDERKIN: No, I do not know what the present status of it is. I know about Pioneer Finance.

Mr. McLEAN (*Charlotte*): Do you examine these loans that go the United States?

Mr. ELDERKIN: Yes.

The CHAIRMAN: I think the best thing to do would be to ask Mr. Elderkin to inform himself. I am sure he will be with us for some weeks to come—and I do not mean necessarily as a technical witness. My comments are a sign of the high regard in which we hold you, of course. He would be able to report back to us on this matter because while I think Mr. McLean has raised a very interesting line of inquiry, the first step is to gain the information, and then all of us will be in a better position to deal with it.

Mr. McLEAN (*Charlotte*): Are our chartered banks chartered in Canada or are we chartered all over the world. Are we given a charter for all over the world?

Mr. ELDERKIN: The Act provides that the banks may open branches and do business in any country in the world?

Mr. McLEAN (*Charlotte*): And may the banks lend anywhere?

Mr. ELDERKIN: They may lend anywhere.

Mr. McLEAN (*Charlotte*): They can take our money and lend it anywhere?

Mr. ELDERKIN: Not necessarily your money; it is money they may collect from that country.

Mr. McLEAN (*Charlotte*): But I am saying if they collect the money in Canada can they lend it all over the world?

Mr. ELDERKIN: They could lend it all over but normally they try to balance their positions in other countries.

Mr. McLEAN (*Charlotte*): Does the Inspector of Banks having anything to do with that. Does he say, you are getting too damn much abroad? Or does he say you should keep so much in Canada?

Mr. ELDERKIN: I never use that language.

Mr. McLEAN (*Charlotte*): You let them go.

The CHAIRMAN: I understand sir, that you do after reviewing the various returns take it as part of your responsibility to discuss with the banks situations where they appear to be over-loaned?

Mr. ELDERKIN: That is right.

The CHAIRMAN: Perhaps you could inform yourself on this particular situation and at an appropriate time during our proceedings we will ask you to return and go into this matter more fully. Would that be satisfactory, Mr. McLean?

Mr. McLEAN (*Charlotte*): I just want to know what is going on in the world.

The CHAIRMAN: Well that is why I want Mr. Elderkin to get the information so we can pursue this matter.

Mr. McLEAN (*Charlotte*): I want to know what our Canadian banks are doing.

The CHAIRMAN: We are going to have a wonderful opportunity to question directly about this, collectively and individually. I do not know if the term "collective" should be used in this atmosphere but we will have some opportunity to pursue this.

Mr. ELDERKIN: The question might be addressed to the banks anyway.

Mr. LAMBERT: In section 103(2) it says, "Where a bank carried on the business of banking. . ."

Mr. ELDERKIN: Well this is where it carried on the business of banking in a separate corporation outside of Canada.

Mr. LAMBERT: Oh, yes, I know but the business of banking.

Mr. ELDERKIN: That is right, and of the banks, two banks have subsidiaries in the United States and two have subsidiaries in France, both of which are fully licenced to carry on the business of banking.

Mr. McLEAN (*Charlotte*): Do they take Canadian money over to France?

Mr. ELDERKIN: No, they deal entirely in French francs.

Mr. McLEAN (*Charlotte*): Altogether in francs.

Mr. ELDERKIN: No, I would not say that some Canadian money has not gone over there at some time, but the balance sheet is entirely in francs.

Mr. McLEAN (*Charlotte*): That may be, but they can convert it into francs. But are they taking Canadian money over there and converting it into francs?

Mr. ELDERKIN: I think it has been a long time since much Canadian money went to France for conversion to French francs.

The CHAIRMAN: I myself would be interested in going into this phase of the operation of the banks, but we seem to be straying a bit afield from our decision as to how we are to proceed at this stage, which is to get an explanation of the text and the intent behind it.

Mr. LAMBERT: Mr. Chairman, I raised that again because I am not convinced of what he has described as the business of banking within the statute.

The CHAIRMAN: I am not referring to your comment, because you are commenting on the text. Perhaps we can also pursue that later in even further detail.

Mr. ELDERKIN: If I can move on, I think we are up as far as 109.

Mr. ADDISON: May I ask the Inspector a very short question. Your counterpart in the United States would be the Federal Reserve Board?

Mr. ELDERKIN: No; I think the closest to my counterpart in the United States in the comptroller of currency, Mr. James Saxon.

Mr. ADDISON: Have you had correspondence with him in connection with Canadian banking operations in the United States vis-à-vis the position of the Canadian government with regard to the Mercantile Bank?

Mr. ELDERKIN: No, I have had no correspondence with him at all.

The CHAIRMAN: Will you proceed, Mr. Elderkin?

Mr. ELDERKIN: We are at section 109. The change here is in subclause 3. It is proposed here that deposits of under ten dollars each unclaimed for a period of nine years would not have to be reported in the return, although the usual notices will be sent to depositors at the end of two years and five years as required by Section 111. This proposal would eliminate reporting of 50 per cent of the unclaimed balances that fall in this category, and would greatly reduce the amount of work involved and the cost of publishing that list in the *Canada Gazette*, which has come up to a rather serious figure of around \$15,000 now per annum. The balances which it is proposed to eliminate will be turned over to the Bank of Canada if unclaimed after ten years just the same way. If this is only a matter of administration, it becomes a huge problem. If you have seen the *Canada Gazette*, it is getting to be about one inch thick. More than half of these balances are under ten dollars and some of them are under one dollar.

It is also proposed to eliminate the reporting of unclaimed bank dividends which were formerly covered in Section 111, as these are not in the classification of unclaimed deposits.

Section 110 (3) is exactly the same as 109(3) but deals with a different type of unclaimed account.

We have no further changes of any importance until we come to section 115. There is a small change here.

Mr. ADDISON: In section 112, in the interpretation of this section, it says: ...the bank has, during that calendar year, charged in respect of any loan or advance payable in Canada any rate of interest or discount exceeding the rate authorized by this Act.

Does that mean six percent simple interest per annum? How do you explain higher charges?

Mr. ELDERKIN: Because they are added as service charges and not as interest. This goes back to Section 91 which states what charges of interest may be made.

Mr. ADDISON: In other words, is it correct that each bank is charging six per cent per annum or less on their loans?

Mr. ELDERKIN: That is right, as interest, yes.

Mr. ADDISON: As interest?

Mr. ELDERKIN: That is right.

Mr. LAMBERT: This is one of the ones that will be dropped in the event the ceiling comes off.

Mr. ELDERKIN: This is one section, this 112 and I think 151, that drop when the ceiling comes off. In section 115 there is a very minor change in (a). It used to be, "the name of each shareholder who holds shares of the capital stock of the bank having a par value of \$5,000." Now we say, "of more than five thousand dollars", just simply to tie in with other sections. It is editorial, really.

There is nothing of importance until you get to clause 117, which is new. This is to authorize the Bank of Canada to receive certain information, but not information with respect to the accounts of affairs of any particular person. The reason for this is that the Bank of Canada at the present time has no authority to receive information from individual banks. The banks do furnish this on a voluntary basis on request, but it appeared advisable, both from the point of view of the banks to give them the authority to furnish the information and from the point of view of the Bank of Canada, the authority to get it, and put in this special provision. But it is restricted to general information and not in respect of the affairs of any particular person.

Mr. LIND: Mr. Chairman, I do not know whether this comes in here or not. At what point does the bank report to the Minister of National Revenue on the interest earned on special or individual accounts?

Mr. ELDERKIN: I think it is \$100.

Mr. LIND: Interest.

Mr. ELDERKIN: That is interest earned on a deposit. I am not too positive about this, and perhaps you can ask the bank later; but I think it is \$100 or over they have to report.

Mr. LIND: Is there any limit to the number of accounts an individual can open?

Mr. ELDERKIN: Well, an individual could go around opening accounts all over the place in several branches.

Mr. LIND: In various banks.

Mr. ELDERKIN: Yes, in various banks, and there is no way of putting them together unless you go down to a very much lower reporting basis. I am not sure whether this is in effect yet, or whether it is just being talked about, but National Revenue may ask the banks to report down to a much lower level.

The Americans are asked to report down to \$10 and this is simply a terrific job which the American Inland Revenue or National Revenue admits they cannot check. They just do a test. There are a couple of data processing operations, one in the east and one in the west, and they just run a test on this and they pick out perhaps many thousands of accounts out of the millions of accounts that they have. They cannot possibly do the whole process; it is almost an impossibility. I do not know what the intention of the National Revenue here is at the present time, and perhaps the banks have later information than I have. You might bring this up with them when they are before you.

The CHAIRMAN: Fine. Now, the next section?

Mr. ELDERKIN: We have no change, as a matter of fact, until we get to 122 and the last two subsections, (g) and (h), and this is a peculiarity. Some place in history these two were given paragraph numbers and they should have been given subsection numbers, because they do not relate to the particular subsection (2) at all. So you have an amendment before you to renumber paragraph (g) as subsection 3, and paragraph (h) as subsection 4 with a consequential change in wording.

(Translation)

Mr. CLERMONT: In so far as calls to shareholders are concerned is there a limit to the amount or is it the lack of funds that will limit the amount for which calls can be made to the shareholders?

(English)

Mr. ELDERKIN: If shares are sold to a subscriber, the maximum they can call for is a 10 per cent payment and 10 per cent per month until the call up is completed.

(Translation)

Mr. CLERMONT: Yes, I understand that, Mr. Elderkin, but relative to clause 122, should the directors decide in case of need to call on the shareholders?

(English)

Mr. ELDERKIN: I think this is spelled out in subsection 2. The calls can be payable at intervals of 30 days. No call can exceed 20 per cent of the amount subscribed in respect of the shares. The two governing paragraphs to your question are paragraph (a) and paragraph (d).

(Translation)

Mr. CLERMONT: Do you mean to say, then, that clause 122, relates to subscribed but not completely paid up shares?

(English)

Mr. ELDERKIN: That is right. Are you asking if there is any further liability on fully paid up shares?

Mr. CLERMONT: Yes.

Mr. ELDERKIN: There is not any longer. That was extinguished in 1950, I think it was, when all of the outstanding note circulation or the liability therefor was paid to the Bank of Canada.

Mr. McLEAN (*Charlotte*): We had double liability at that time.

Mr. ELDERKIN: No, not at that time. We had double liability until about 1944 and from then on the banks were not allowed to issue or re-issue any further notes and the liability actually reduced as the outstanding note issue reduced.

Mr. McLEAN (*Charlotte*): It was on account of the note issue that they had double liability.

Mr. ELDERKIN: That is right. It was to support the note issue.

There are no changes in the following sections; they are the same as in the present act until we reach clause 138, which is new. It is, as recommended by the royal commission, that agreements with regard to rates of interest on loans and deposits are to be prohibited except under conditions stated in subclause (2). I think the minister mentioned this in his speech.

Mr. McLEAN (*Charlotte*): Is this going to do away with the Bankers' Association?

Mr. ELDERKIN: That is supposed to be an educational institution.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Who says the association is educational?

Mr. ELDERKIN: It is probably to Canadian bankers.

The CHAIRMAN: It is education in the form of self-improvement.

Mr. ADDISON: I would like to ask the Inspector under what section of the Combines Investigation Act will the president or directors of a bank be charged if there is an infraction?

Mr. ELDERKIN: This does not come under the Combines Investigation Act at all, Mr. Addison. The Combines Investigation Act applies only to commodities, and not to services.

Mr. ADDISON: It refers to mergers and monopolies.

Mr. ELDERKIN: Yes, but only of corporations involved in it.

Mr. McLEAN (*Charlotte*): But would you not consider the bank a utility?

The CHAIRMAN: Just one second, Mr. McLean. Mr. Addison.

Mr. ADDISON: I will just read from a press release from the Minister of Finance. I cannot say when this statement was issued. It says here that agreements among banks on interest rates on both loans and deposits will be prohibited, that mergers of banks will continue to require the approval of the government; in other words, the main underlying principles of the Combines Investigation Act will apply to banks.

Mr. ELDERKIN: Yes, as spelled into the act.

Mr. ADDISON: I have a copy of the act here. In so far as the Combines Investigation Act of 1952, as amended in 1964-65 is concerned, this does not

apply to this particular clause. Is there anywhere in this particular act that the Combines Investigation does apply?

Mr. ELDERKIN: No, none whatsoever because the Combines Investigation Act does not apply to banks or to a service such as banking. The matter of mergers and amalgamations are entirely within the power of the government; they cannot take place without the approval of the government.

Mr. CHAIRMAN: Dr. McLean, I think you were next. Do you have some questions at this point?

Mr. McLEAN (*Charlotte*): No, but I thought Mr. Addison was going to follow that up.

Mr. ADDISON: I will throw the ball to Dr. McLean.

Mr. McLEAN (*Charlotte*): You say that the Combines Investigation Act has nothing to do with banks but they get out identical letters with reference to charges and one thing and another not only identical letters but word for word.

Mr. ELDERKIN: They must have a common editor! I did not say that there were not any types of combines. You might possibly say that there were. I said the Combines Act did not apply to the banks.

Mr. McLEAN (*Charlotte*): But you did not say that the banks were not a combine.

Mr. ELDERKIN: I have no comment to make on that at all.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Elderkin, if it were drawn to your attention that two or more or all the chartered banks were charging the same rate of interest on deposits of the same class, would you consider that *prima facie* evidence that they had made an agreement?

Mr. ELDERKIN: Well, if it all happened on the same day at the same hour, you might say that was *prima facie* evidence but it would be very difficult, would it not, if one bank came out with the announcement of a rate and the other decided to follow it within perhaps the next week.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is what makes me wonder what was the use of putting this clause in.

The CHAIRMAN: This is a new clause so I presume that we will have to get some experience in seeing how it is going to work.

Mr. ADDISON: Why is this section limited to rates of interest on a deposit or on a loan? Would it not be possible for agreements to be made with regard to making a loan at all to a certain person or class of person?

Mr. ELDERKIN: There have been agreements this is why subsection (2) is in there at the request of the minister at times in the past to restrict loans to a certain category not to certain individuals or to certain companies but to certain categories of borrowing.

Mr. ADDISON: I can see where that would be useful if it was requested by the minister as part of some aspect of monetary policy, but what about agreements in those areas which are not requested by the minister. Why is there not a prohibition in clause 138 of that type?

Mr. ELDERKIN: I do not think there would be any particular value in here. I have never heard of this particular type of agreement.

Mr. ADDISON: The only agreements you are familiar with are those involving rates of interest?

Mr. ELDERKIN: There have been agreements on such things as safekeeping charges, safety deposit boxes and so on.

Mr. ADDISON: Why are charges not in here?

Mr. ELDERKIN: We are following here very much the recommendations of the royal commission on this. The others are relatively picayune so far as any question of that is concerned. Quite frankly, they are small in comparison. These are the major things that involve the public. I do not think the fact that the banks all decide on a uniform charge for a safety deposit box would have any great effect one way or the other.

The CHAIRMAN: Might it not be a way of competing for the business of the small customer?

Mr. ELDERKIN: If they wish to charge a different rate they may.

Mr. McLEAN (*Charlotte*): But when they apply this charge to thousands and thousands of transactions, all agree on it, send out the same letter, word for word, there is something wrong, it seems to me. There must be some agreement or some getting of heads together, or something.

Mr. FULTON: Telepathy, no doubt.

Mr. McLEAN (*Charlotte*): But, it is word for word, and they say that this charge is going to be made. We are the greatest exporter per capita in the world, and when they put this charge up all over Canada to the exporters who are exporting all over, it makes quite a difference.

Mr. ELDERKIN: Perhaps they will be a little more careful in their correspondence in the future.

The CHAIRMAN: Mr. McLean, I would appreciate it if you would accumulate the material you refer to and keep that area of enquiry in mind when we have the bankers with us.

Mr. McLEAN (*Charlotte*): I can produce the letters but I do not think that is necessary. They know that.

Mr. LIND: Reference has been made that there is no collusion between banks on the interest they charge on certain types of loans and the service charges they charge on accounts. Since you have mentioned safety deposit boxes and how they arrange that, there must be a certain amount of collusion.

Mr. ELDERKIN: I did not say there was not on such things as safety deposit boxes and safekeeping charges. If you wish to refer to service charges, I think one of the cases here where there is no agreement you will find in the personal loan plans. You will not find one of them, I think, that is identical with another, as far as the service charges are concerned.

The CHAIRMAN: I personally would like some further explanation. I am not sure at this point why section 138(1) does not forbid any type of agreement between banks.

Mr. ELDERKIN: I am simply saying that this was, in effect, the royal commission's recommendation, which was accepted by the government.

The CHAIRMAN: Are we doing everything the royal commission wanted us to do?

Mr. ELDERKIN: Not by far, no.

Mr. ADDISON: The government is obviously very anxious, particularly the minister, to move to the area of free competition as far as interest rates are concerned. He also saw to it that this clause was included in the Bank Act and he has referred to it specifically in the spirit of the Combines Investigation Act. You relate to the committee that if officers of the bank or directors of the bank act contrary to the Combines Investigation Act they are not liable.

Mr. ELDERKIN: That is right, because the Combines Investigation Act has nothing to do with banking.

The CHAIRMAN: I think, Mr. Addison, the difficulty is created by the wording used by whoever drafted that press release. It might be better to tax the minister directly with this wording.

Mr. ADDISON: That may be, Mr. Chairman, but—

Mr. McLean (*Charlotte*): Incorporate the press release in the Bank Act.

Mr. ADDISON: I prefer to listen to the minister.

Mr. ELDERKIN: I think the minister was trying to say that he was putting into this act some of the main provisions contained in the Combines Act.

Mr. ADDISON: But he is not putting any teeth into it.

Mr. ELDERKIN: Yes, there is a penalty for this.

Mr. ADDISON: \$5,000. That is peanuts.

Mr. ELDERKIN: You say there was an impunity, do you? If you want to pursue this further it becomes a policy matter and I think perhaps you will have to save it for the minister.

The CHAIRMAN: Yes, because he is referring to the principles behind the combines legislation.

Now, what is next?

Mr. ELDERKIN: There are no changes, actually. These penalty sections that follow are not new. The next amendment refers to section 150(c). The amendment we are putting forward here is instead of using the words, "authorized by this Act" in the last line we say, "authorized by an Act of the Parliament of Canada". I think Mr. Ryan can give you a better explanation of that.

Mr. RYAN: I will try. Mr. Chairman, there was largely a drafting problem involved here. It was desired to extend the section to speak of "otherwise authorized by this Act or by any other Act", because there may be occasions when another act would authorize this and is not covered specifically by this provision. But "any other act" is too indefinite, so the wording was revised to speak of "any Act of the Parliament of Canada" that might authorize the acquisition of holding by the bank of the warehouse receipt. It is merely

broadening the present provision relating to "otherwise authorized by this Act". It may be too narrow.

Mr. ELDERKIN: Thank you.

Section 151 is the section on penalties for illegal interest charges and will disappear when the limit comes off.

Our next amendment is in section 157(2). You have a proposed amendment before you which continues subsection (2) and which reads: "but this subsection does not apply where such use is required by law and is confined to a statement contained in a prospectus that a corporation is the holder of shares, of the capital stock or evidences of indebtedness of a bank." The reason for this is that it is to provide for the requirement under certain provincial laws that in some cases a prospectus must list the securities of the issuing corporation, and the technical violation in here under the present act is if the name of the bank appear at all in the list. So, this is simply to give relief where the law of the province provides that the of the security must be listed. That is all it is.

There is some broadening in subsection (2) from what it was before because in the prospectus the name of the bank may be used for the sale of securities of Canada, a province, a municipal or school corporation, or a bank.

Mr. LIND: Mr. Chairman, does this allow banks to go into the field which bond dealers and stock brokers are in?

Mr. ELDERKIN: No, Mr. Lind, this only says "in a prospectus" the name of the bank cannot be used. This was inserted in slightly altered form from what it is in here some years ago because there were occasions when some pretty shady promotions were put out and the biggest item that appeared on the prospectus was the name of the bank spread across the front of it. To the unsuspecting public—and many of the investors in that type of security were unsuspecting, I guess—this apparently looked as if the bank was involved but all they were doing was simply receiving deposits from the particular organizations. This was a provision which was inserted in the act some years ago to prohibit the use of the bank's name in a prospectus issued by a company. This has nothing to do with the bank, except the name of the bank cannot be used.

Mr. McLEAN (*Charlotte*): Can a securities firm advertise the bank rights for sale?

Mr. ELDERKIN: Yes, because it says this in the amendment here, or the securities of a bank.

The CHAIRMAN: What is next?

Mr. ELDERKIN: Section 158 is new. It applies just to the offences that might take place on new provisions from 52 to 57.

Mr. THOMPSON: This really goes back to what we were talking about this morning with regard to a definition of "bank", and that relates to section 157. I was a bit intrigued by the discussion we had on a definition of a bank, particularly as it relates to section 2 (c), the definition of a bank within the bill we are considering now. I did a little checking and perhaps it might be of interest to the committee if we referred to it at this point.

Webster's Dictionary, second edition, defines a bank as being "an establishment for the custody, loan, exchange, or issue of money, for the extension of credit. . .". Another very interesting definition is to be found in the book *The*

Theory and Practice of Banking by H. D. MacLeod, and he defines "bank", "banker" and "banking" this way: "The essential and distinctive feature of a bank and a banker is to create and issue credit payable upon demand", and this credit is intended to be put into circulation and serve all the purposes of money. A bank, therefore, is not only an office for borrowing and lending money, but a manufactory of credit. I wonder if the suggestion I made this morning does not fit into the definition of banking, even though it is not stated here, that a bank is more than what we usually think of as the services of banking, in that it also includes the authority that the Bank Act would give such an institution, and that is for the expansion or the extension of credit. I just offer that at this point because section 157 is referring back again to the words bank, banker and banking.

The CHAIRMAN: I think that will be useful when we begin questioning people from outside.

Mr. ELDERKIN: The last one is section 162, where we are putting forward an amendment. At present it says, "This Act shall come into force on a day to be fixed by proclamation of the Governor in Council." We have a bit of a problem here because if sections 52 to 57 come into effect before the annual meetings of the banks for the current year, it would present a situation which the banks just could not handle because they have no authority today to get the information that the act requires for the annual meeting. As all the annual meetings will be over by the middle of January we are proposing an amendment, which you have before you, that the act, with the exception of sections 52 to 57, and also section 158, which is a penalty section, shall come into force on December 1, 1966, and sections 52 to 57 and 158 shall come into force on February 1, 1967. Now, the "December 1, 1966" part of it is related to the present extension of the act to November 30. If the act has to be extended further than November 30, then this subsection will have to be reamended to take up the later date.

The CHAIRMAN: Perhaps it would be convenient at this time to look at sections 52 to 57, which I do not think we covered.

Mr. ELDERKIN: You still have the schedules to cover.

The CHAIRMAN: Perhaps we should run right through. I see you have some new parts of the schedules.

Mr. ELDERKIN: In schedule A you have the addition of the Bank of Western Canada. Since it has received its charter it will be added to schedule A, and if the Bank of British Columbia receives its charter before the bill is passed similar particulars with respect to it will be inserted in the schedule as well.

(Translation)

Mr. CLERMONT: I see in the list that there was a bank operating under the name of Bank of British-Columbia.

(English)

Mr. ELDERKIN: At one time?

Mr. CLERMONT: Yes.

Mr. ELDERKIN: That was several years ago. I cannot tell you when it was but it was a great many years ago. There was a Bank of Vancouver, too. The

Bank of British Columbia was, if I remember rightly, merged with the Canadian Bank of Commerce.

(Translation)

Mr. CLERMONT: Is another group of promoters or shareholders entitled to use that name again?

(English)

Mr. ELDERKIN: Yes, once the name is given up it is free.

The CHAIRMAN: I see, for example, in schedule R Commercial Bank of Windsor.

Mr. ELDERKIN: I think that was Windsor, Nova Scotia, though.

The CHAIRMAN: Oh. I am sure it was Windsor, Ontario, the bank would still be thriving. Perhaps we can go on to the balance of the schedule.

Mr. ELDERKIN: The schedules between B and K all refer to forms used in lending under section 88. Schedule M, which is the Monthly return of assets and liabilities, we are proposing to replace. For the most part they are editorial changes, but there are so many of them in the way of punctuation and small changes that we felt it wise to do the whole schedule over again. Incidentally, there was a mistake, which I guess I will have to take the blame for, in the heading of schedule M where we have put in "October 31". This is a monthly schedule and not an annual one. The principal changes that were made between the old act and this one is that in assets 10 and 11 the securities of Canada were formally classified as between those maturing within two years and other. Now we have extended this to maturing within three years and other because three years maturity is the short term security, it is the market division, and it is the one, as you will remember, that fits into the short term classification in section 91. It is the money market part of government securities and we are bringing the classification in to agree with that.

(Translation)

Mr. CLERMONT: What changes have you made in schedule "M" that you have in the proposed amendment in comparison with the one we find in bill C-222?

(English)

Mr. ELDERKIN: As I said, they are mostly editorial, outside of the one I just mentioned, as between the two and three year division. We have in section—

(Translation)

Mr. CLERMONT: I am not speaking about the present Act, the bill C-222.

(English)

Mr. ELDERKIN: No. The amendments we are proposing here and in bill 222?

Mr. CLERMONT: Yes.

Mr. ELDERKIN: The principal amendments are mostly in punctuation. We have abbreviated. For instance, where it says here, "Securities issued are guaranteed by a province of Canada," we have deleted "of Canada" as being redundant since a province must, in legislation, be a province of Canada. The

other change in wording, I think, is in item 23 of the assets, which reads "Bank premises at cost, less accumulated depreciation." We have changed that to "less amounts written off," which corresponds with the present act. The reason for doing that is it was brought to my attention that many years back amounts were written off on land, and that sort of thing, which depreciation does not cover. So, the proper title is "amounts written off" instead of "depreciation." That, I think, as well as some changes in tense and the insertion of some commas up the principal changes on the assets side of schedule M.

Mr. LIND: Mr. Chairman, have we changed the act with respect to depreciation relating to banks and near banks?

The CHAIRMAN: Not with regard to near banks, I presume.

Mr. ELDERKIN: This has nothing to do with near banks.

Mr. LIND: Is there a set amount they must depreciate on furniture, equipment and buildings?

Mr. ELDERKIN: That is set by the Income Tax Department not by the Bank Act.

Mr. LIND: It is not in the Bank Act.

Mr. ELDERKIN: The Income Tax Department sets the maximum amount they may charge, yes.

Mr. LIND: But is there a minimum amount?

Mr. ELDERKIN: No, I think most of the banks take advantage of charging the maximum, and from an income tax point of view they should.

Mr. THOMPSON: Mr. Chairman, with reference to the name of the city which is your home, and the statement just made a few moments ago by our Inspector, I must say that the Commercial Bank of Windsor became part of the Royal Bank of Canada.

Mr. ELDERKIN: It was still Nova Scotia, though. All the precise names are listed in Schedule R when we come to them.

The CHAIRMAN: I see that you have in the subsequent amendments rescheduled N, O, and P. Perhaps you could summarize.

Mr. ELDERKIN: Schedule N has one principle change. We have consolidated the first for items of schedule N in bill 222 into one. It is, "cash and due from banks" which is a normal title I do not think there is anything else which needs to be drawn to your attention.

(Translation)

Mr. CLERMONT: Relative to the listing of the types of loans, would it not be interesting to know the total of personal loans issued, that is the consumer loans?

(English)

Mr. ELDERKIN: This does not come in these schedules. It comes in under the classification of loans which appears under another section of the act, Mr. Clermont.

Mr. CLERMONT: I am not speaking about the monthly report which is to be made to the Minister of Finance.

The CHAIRMAN: I think Mr. Clermont has raised a point which is of interest. Mr. Elderkin, why would you in the monthly report—if we can back track a bit—ask for details of loans to a province, loans to municipal school corporations and so on. Would it not also be useful to have loans in other categories?

Mr. ELDERKIN: We get it in another monthly return; not in this one, but we do get it in another monthly return to the Minister, which is set out in the form required under Section 107. The reason this is in the forms to be prescribed by the minister is that we change this form from time to time to bring in certain different information rather than having the prescribed form in the act.

(Translation)

Mr. CLERMONT: Mr. Elderkin, is schedule N, the annual report which goes to the shareholders?

(English)

Mr. ELDERKIN: That is right. Schedule N is the annual report which goes to the shareholders.

(Translation)

Mr. CLERMONT: It seems that you do not have any explanation other than the present report going to shareholders. In the present report going to shareholders there was an item which showed non-current account, which you do not have in the new schedule.

(English)

Mr. ELDERKIN: No, you will recall that in earlier discussions—I think it was on Wednesday—this matter of the reporting of non-current loans to the directors came up. We have eliminated it from here because it became a meaningless item. It said “non-current loans less provision for losses” and most of the banks were reporting this at about \$1,000. This used to astound some of the bank managers, I might say, who said: “I have more than that in my own book.” The objective—the reporting of it was really a useless figure as long as it was written down to what they said was “less provisions for losses”. We have just taken it out as being a useless figure.

(Translation)

Mr. CLERMONT: Excuse me, I am coming back to loans under 7, loans including mortgage loans. Is this not rather vague. Would not the shareholders be interested in knowing the amount which the bank holds in mortgage loans? Now, it will be under 7, “other loans”.

(English)

Mr. ELDERKIN: That is correct. It will be under there because it is extremely difficult, as a matter of fact, in banking to determine just exactly what is a mortgage loan. If you want to refer only to a N.H.A. mortgage loan, or if you want to refer to what is a completely clean mortgage loan with no other securities, but, on top of that, you will find that now under the act the bank may have loans in which part of the loan is secured by mortgages and part of it is not. To make a breakdown of that seems practically impossible. We will have some material on that I hope in the quarterly classification of loans which is published in the *Canada Gazette*.

The CHAIRMAN: Have we completed our—

Mr. McLEAN (*Charlotte*): Mr. Elderkin, my colleague asked you about depreciation on furniture and one thing and another. I do not suppose anything has been put in the act about depreciation of money. The purchasing power is going down and the depositor is not allowed anything for that. Do you think anything could be put in the act? Now, I am not fooling because the buying power of money is going down all the time and the depositor is not allowed anything on that. In 1900 if you put \$1,000 in the bank and they gave you compound interest to 1920 you would have \$2,000 and it would not buy what you could buy in 1900. Depreciation is going along all the time and the depositor—the holder of money—is not getting any depreciation.

Mr. ELDERKIN: I am very aware of this. I am going on pension very shortly.

Mr. McLEAN (*Charlotte*): I know you are. I am trying to protect you and all the holders of money on depreciation.

Mr. THOMPSON: You cannot depreciate a service and the hon. gentleman just said that banking is a service, not a commodity.

Mr. McLEAN (*Charlotte*): If I have \$1,000 in the bank, is that a service? That is money, is it not. It belongs to me, and it goes down in purchasing power and has a depreciation there.

The CHAIRMAN: Well, whatever it is, gentlemen, I think it is policy we are talking about. Is there anything further which you wanted to talk about.

Mr. McLEAN (*Charlotte*): There is no relief for the taxpayer.

Mr. ELDERKIN: In schedule N I would draw your attention to the amendments we are proposing and the item which appears under liability item 9. Now, this is the start, I might say, of what we are going for, complete disclosure. This will come into effect at the 1967 fiscal year end which will mean that on this schedule it will show the entire amount of the accumulated appropriations, or under reserves,—of the bank in that schedule. This will tie in with a schedule which comes a little later. Schedule O has been rewritten with one exception simply for clarification. The one exception is very important and it appears under expenses; “other operating expenses, including provisions for losses on loans based on a five-year average loss experience”. It is rather a new concept in bank accounting. It started with some bank in the United States. It is the first time in the annual operations of the banks that we have provided for a charge to the year’s operations of a provision for bad debts.

Mr. THOMPSON: Where do you find that?

Mr. ELDERKIN: In the last item of expenses in schedule O, in the amendments, Mr. Thompson.

Mr. THOMPSON: Oh, in the amendments. I am sorry.

Mr. ELDERKIN: The point here was to find a formula which appeared reasonable as an annual charge and, after a considerable amount of investigation and consultation with the banks, we did the same as in other quarters and put in here what amounts to a five year average loss on loans for the period. This again will tie in with the schedule as we go along. It will make quite a difference in the operating statements.

We now go into the next one, Schedule P.

Mr. CLERMONT: Mr. Elderkin, why the change from the original Bill No. C-222 for appropriation for losses. In Bill No. C-222 you give explanations about where the losses could come but the new schedule it is only appropriation for losses; that is all.

Mr. ELDERKIN: Because there can be losses on others than on investments and loans.

Mr. CLERMONT: I agree. But will not the minister or your office be interested, or maybe you have other ways to find out what are these losses?

Mr. ELDERKIN: Oh, yes, we have a way to find out what the losses are. If you will follow through, Mr. Clermont, to Schedule P you will find that we show these in more detail. On Schedule P we come to the complete disclosure of the accumulated appropriations for losses of the bank. We start out with what was in them at the beginning of the year, we then add the appropriation from the current year's operations which agrees with the item in Schedule O, then the loss experience on loans and then the profits and losses on securities and then other profits, losses and non-recurring items. The three are kept separate in Schedule P.

Mr. THOMPSON: What is it that has brought about this change in so far as the revelation of the hidden reserve picture is concerned. There has always been, in prior Bank Act revisions, a very strong opposition to this and it really has not been brought forth as policy. What is the explanation?

Mr. ELDERKIN: The situation has changed actually since the last revision. I said earlier, I think maybe you were not here, that at the time of the 1954 revision we were including in loss experience, valuations on securities of Canada and the provinces and the variations, changes that take place in those had a terrific effect on the loss experience from time to time because you were pricing a whole portfolio of millions and millions of dollars. In 1957, I believe, this was changed and now securities of Canada and the provinces are stated at amortized value and the only losses which occur now are the realized losses taken. Further to that, I think, there is a very definite growing demand for more disclosure in more detail in financial statements, not only in banking but in every type of corporation today. This is being pressed forward, not only by analysts but by shareholders who wish to know more about the real situation in the banks and in corporations in which they have investment. Therefore it was the government's decision to make full disclosure of these accumulated appropriations, as we call them, or formerly we called the inner reserves.

Mr. THOMPSON: Has there been opposition pressure to this new policy as far as the banks are concerned or has there been positive pressure as far as shareholders are concerned?

Mr. ELDERKIN: I would not say positive pressure as far as shareholders are concerned on this because shareholders have never seen these schedules as yet: they have not been published.

Mr. THOMPSON: I mean in the reaching of a decision.

Mr. ELDERKIN: Yes, we have had a great many suggestions that action of this kind should be taken, not from shareholders perhaps but from representatives of shareholders such as security dealers, security analysts, brokers, and so

on, who have suggested this. As far as the opposition is concerned, I think it would be perhaps completely untrue to say that the banks were entirely in favor of this, but, on the other hand, such opposition as has come has been in a constructive way with suggestions from them and as far as I am concerned, no particular opposition once the government had announced its decision.

The CHAIRMAN: Mr. Elderkin, you have a very gracious way of putting things.

Mr. McLEAN (*Charlotte*): Mr. Elderkin, is it not entirely up to the government? Can they not make the banks take the inner reserves out and pay their taxes on them? It is entirely up to the government?

Mr. ELDERKIN: I would not go quite so far but yes, I suppose you could say they could do this because under the Bank Act the Minister of Finance has the power to regulate the so-called inner reserves of the bank; that is, the non-taxed reserves of the bank. In the exhibits I tabled Tuesday there are the present rules regarding the so-called inner reserves of the banks.

Mr. McLEAN (*Charlotte*): It seems to me, looking over the bank statements, sometimes, they are paying a good deal more taxes than they should pay. They must be paying taxes on what comes out of the inner reserves.

Mr. ELDERKIN: This becomes quite apparent if you look at their statements.

Mr. McLEAN (*Charlotte*): They are paying more than 50 cents on the dollar.

Mr. ELDERKIN: There are various complications in this but normally you will find that part of it will be accounted for if you look at the transfers to the rest accounts, where they have increased their rest account which they state comes from reserves. On the other hand, you can get over the 50 per cent because of foreign taxes in some cases, too, which may not entirely be offset by Canadian taxes.

The CHAIRMAN: Have we completed our discussion of the schedules?

Mr. ELDERKIN: The last one is schedule Q and it is very similar to the one in the act now. It is simply changed around in some of its titles to correspond with the changes in others, otherwise, that finishes the schedules as amended.

The CHAIRMAN: We have a few more moments we can spend here tonight. Perhaps we can have a review of what we have not covered in Clauses 52 to 57. I think we began some of it, and perhaps this could be reviewed with us so we will understand the aims of these clauses. Then we will complete this phase with respect to Bill No. C-222.

Mr. ELDERKIN: I think I said, starting out with 52 to 57, that in so far as the provisions relating to non-resident ownership are concerned, they are for the most part the same as those amendments in the insurance, trust and loan companies act which received parliamentary approval a couple of years ago. There have, however, been some changes because most of the provisions relevant now apply to resident ownership, too. In other words, no resident or his associates, as defined in the act, may hold more than 10 per cent of the shares of a bank. This does not appear in the insurance, trust and loan companies act. There is no limit there.

Also another major change in here, and a change from Bill No. C-102, is the change which I mentioned before which permits the pension and like funds of a province to be invested in shares of a bank. But, the total amount of shares which all of those funds in any one province can accumulate cannot exceed 10 per cent and the shares must be non-voting shares under the act.

We should take off our hat to Mr. Ryan as this is one of the most difficult pieces of drafting, I think, that I have ever had anything to do with because there are so many situations which can arise because of association of shareholders, ones who have common interests. You have a couple of amendments which were proposed to you for Clause 52 and consequential ones in 53 and 54 proposed because of this very thing.

Another point that we have proposed here is to make this more manageable because it was very much more difficult for the banks to operate under these sections than it would be for the insurance, trust and loan companies under their act. The bank shares are traded on the stock exchange of Canada in the hundreds of thousands of shares each year and the transactions in a month, probably, would far exceed the total transactions of trust, loan and insurance companies in a year. So what we have done to try and ease the burden is to exempt from any degree of association, shareholders holding \$5,000 or less par value shares. In other words they are completely in the free as far as association is concerned. Since this takes in well over 95 per cent of the shareholders of the banks, it will be a considerable relief as far as administration is concerned. But there is a very substantial burden on the banks to find out whether the other shareholders, namely, the ones who hold more than \$5,000 par value, are associated or whether they are representing non-residents.

This is the reason I mentioned a few minutes ago in the last clause of the act, the amendments which we put forward to relieve the banks of these 52 to 57 clauses for the current annual meeting because they would not have the time or the authority to collect the information which they would require.

In brief, we end up with the fact that no person, and that includes a corporation, and his associates may hold more than 10 per cent of the stock of a bank whether resident or non-resident. There must be no non-resident shareholding of stocks of a bank in excess of 25 per cent except where these were already in existence before the prescribed date mentioned in here.

There is another provision mentioned here which prohibits a government, whether federal, provincial or foreign, from holding stock in a bank. The federal government did have, I am not sure whether they still have, a small holding in one of the banks which they took over from a pension fund which went out of existence some years ago. If they have not sold it, they have every intention of doing so. They have a right to hold it because anything that was in existence at the time of the prescribed date which was announced in the house may remain.

I think this covers it generally. It is a long and wordy section and perhaps I might mention clause 57 which is one which has already been brought into existence where a bank is incorporated on or after the prescribed date. In the old act it was the Treasury Board, which could permit the bank to have more than the 10 per cent under certain terms and conditions. This happened in the case of the Bank of Western Canada where they were given a period of ten years in which to reduce their holdings to the prescribed 10 per

cent on very definite terms and conditions which were published in the Treasury Board order.

The CHAIRMAN: Mr. Elderkin, I think, since it is now about five minutes to ten o'clock, that we should spend a moment to discuss what our next step will be with regard to meetings.

I suggest that if the members have questions about that which you have just been telling us we will arrange a session when you can come back and deal with these questions.

Interestingly enough, we seem to be going along right on schedule. I had hoped to complete our preliminary review of this act this week. With the co-operation of all concerned we have done so. Next week we want to hear from the Governor of the Bank of Canada and his associates.

I should report to the committee that Mr. Rasminsky will be available at any time starting Monday, October 31 to around 4.30 p.m. November 3 when he is going off to Europe to give the Jacobsson lectures. I think it is quite a tribute to our Governor of the Bank of Canada. He will not be available again until the 15th of November. I think we should decide now whether we want to try and have a meeting either Monday afternoon or evening or start with him Tuesday morning. It is not practical to try to meet Monday morning but I suggest you might want to consider having a meeting Monday afternoon or evening to give ample time—

An hon. MEMBER: I suggest Monday evening.

The CHAIRMAN: Monday evening? One of his staff is with us and he told me Mr. Rasminsky would be available in the evenings. He is nodding his head yes.

We are, in effect, finished. You might have questions on this, Mr. Thompson, but I might explain that even after we finish discussing matters with the Governor there will be a gap of a few days while the steering committee makes up a list of witnesses and so on, and assesses the position with regard to hearing from the general public. I think it would not be too difficult to schedule a meeting to clean up outstanding questions on what Mr. Elderkin has just told us and other matters by way of explanation of the text of Bill No. C-222 which might occur to us.

An hon. MEMBER: There is also the Quebec Savings Bank Act.

The CHAIRMAN: Yes, there is also the Quebec Savings Bank Act which will not take as long as this, because a lot of the provisions are similar to what we have discussed; but there are a few exceptions which I think Mr. Elderkin wants to deal with. I would suggest to the committee that it would be useful to have as much time as possible next week with the Governor in one unbroken stream of sessions so that we will be better prepared to begin our sessions with the members of the public.

Are we going to try to have a meeting Monday evening?

Mr. CLERMONT: I move that we do this if it is agreeable to the Committee.

The CHAIRMAN: At the same time I think we should be realistic. It may well be that the major part of the first session with the Governor will be devoted to his presentation of a formal statement, in any event.

Mr. ELDERKIN: I have a previous commitment for Monday evening.

The CHAIRMAN: This week we did not meet on Wednesday. Would we be willing to have the meeting Wednesday afternoon?

An Hon. MEMBER: No.

Mr. ADDISON: Where does Tuesday come in?

The CHAIRMAN: I personally feel that we should try and have the widest—

Mr. THOMPSON: If the meeting Monday is taken up with his presentation, obviously, and more than likely, some of that presentation will be available in prepared form. We would not be missing too much.

Mr. McLEAN (*Charlotte*): He could not make his presentation unless we had a quorum. I suppose he could.

The CHAIRMAN: I think if we were only taking evidence and so long as we do not get to points of order we could proceed.

Mr. ADDISON: Mr. Chairman, may I move a motion that we reconvene on Monday evening at eight o'clock, in view of the fact that you are on the ten o'clock show in about two minutes.

The CHAIRMAN: I am?

Mr. ADDISON: Are you not?

The CHAIRMAN: No, I do not think I come up until Monday myself. Your advice will be well taken on Monday.

Mr. ADDISON: I thought you registered for ten o'clock.

The CHAIRMAN: Yes, but there are some ahead of me. Is there a seconder for that? Seconded by Mr. Clermont. Is there any discussion? All in favour? Opposed?

Motion agreed to.

Mr. CLERMONT: Mr. Chairman, before closing, on Tuesday morning Mr. Elderkin deposited some exhibits which I think were numbered 1 to 16.

The CHAIRMAN: One to 14.

Mr. CLERMONT: One to 14, though there are 16 sheets. In any case, I note that at page 6 there were shareholders holdings showing the numbers of shares from 1 to 500 and so on. Would it be possible, Mr. Elderkin, instead of showing from 1 to 500 to bring it down to 1 to 100 and 101 to 500 because you did it for the deposits, \$100 and less. Mr. Elderkin I think it would be much more work.

The CHAIRMAN: May I suggest that you might want to discuss this with Mr. Elderkin after we adjourn and we will deal with this publicly when we have him back.

The meeting is adjourned.

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OF
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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

MONDAY, OCTOBER 31, 1966

Respecting

Bill C-190, An Act to amend the Bank of Canada Act.

Bill C-222, An Act respecting Banks and Banking.

Bill C-223, An Act respecting Savings Banks in the Province of Quebec.

WITNESS: ★

Mr. Louis Rasminsky, Governor, Bank of Canada.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Addison,	Comtois,	Langlois (<i>Mégantic</i>),
Basford,	Davis,	Leboe,
Cameron (<i>Nanaimo-</i>	Flemming,	Lind,
<i>Cowichan-The Islands</i>),	Fulton,	McLean (<i>Charlotte</i>),
Cashin,	Gilbert,	Monteith,
Chrétien,	Irvine,	More (<i>Regina City</i>),
Clermont,	Lambert,	Munro,
Coates,	Lamontagne,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, October 31, 1966.

(32)

The Standing Committee on Finance, Trade and Economic Affairs met at 8.10 p.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Clermont, Flemming, Gilbert, Gray, Laflamme, Leboe, McLean (*Charlotte*), Valade (10).

Also present: Messrs. Grégoire, Johnston and Saltsman.

In attendance: Mr. L. Rasminsky, Governor of the Bank of Canada; Messrs. J. R. Beattie, Deputy Governor; L. Hébert, Deputy Governor; G. K. Bouey, Adviser; R. Johnstone, Deputy Chief, Research Department, Bank of Canada; and Mr. C. F. Elderkin, Inspector General on Banks, Department of Finance.

The Committee commenced consideration of Bill C-190, An Act to amend the Bank of Canada Act.

Mr. Rasminsky was called and made an opening statement, copies of which were distributed to the members.

The Chairman noted that a quorum was now present and, on motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Laflamme,

Resolved,—That the evidence already taken be part of the official Proceedings.

The witness tabled a statement entitled *Monetary and Credit Developments* prepared for the Joint Committee of the Senate and House of Commons on Consumer Credit in connection with its inquiry into the cost of living.

Copies of the statement were distributed to members, and on motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Laflamme,

Resolved,—That the statement of the Governor of the Bank of Canada to the Joint Committee on Consumer Credit be an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix D*).

Mr. Rasminsky was questioned, and during the questioning he distributed for information of members a chart entitled *Summary Balance Sheets of Selected Financial Institutions*.

On motion of Mr. Leboe, seconded by Mr. Clermont,

Resolved,—That the chart tabled by Mr. Rasminsky be an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix E*).

The questioning continuing, at 9.45 p.m. the Committee adjourned until 11.00 a.m., Tuesday, November 1, 1966.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

MONDAY, October 31, 1966.

The CHAIRMAN: I will now call the meeting to order.

At this stage this meeting will be of an official status for the purpose of taking evidence. We will proceed with the usual reservation that there will be no votes taken or decisions made of the type requiring votes without the presence of an official quorum, and the usual motion will be made at the appropriate time.

Our order of business today is to begin our preliminary discussion and consideration, for purposes of information and clarification, of the act to amend the Bank of Canada Act. Our principal witness is Mr. Louis Rasminsky, governor of the Bank of Canada. I think the best way to proceed is to ask Mr. Raminsky to begin with whatever preliminary statement he may have and then, of course, we will proceed to our discussion and questioning.

Mr. Louis RASMINSKY (*Governor of the Bank of Canada*): Thank you, Mr. Chairman, I am very pleased to have the opportunity of appearing before this committee and shall, of course, be glad to be of whatever help I can in your consideration of the proposed changes in the Bank of Canada Act and related banking legislation. I should like, if I may, to make a few general observations on two main aspects of the proposed legislation, without in this opening statement getting into a detailed clause-by-clause discussion. First of all, I want to say something about the effect of the proposed legislation on the position of the central bank within the broad framework of Government and on its working relations with the Government. Secondly, I want to refer to those provisions which are designed to improve the central bank's technical powers with respect to monetary management.

The first matter I want to mention is the proposed new section 14 of the Bank of Canada Act, which gives the Government the power to issue a directive to the Bank of Canada in specified circumstances and subject to specified conditions. If members of the Committee wish to examine the statement I issued at the time of my appointment as Governor in July 1961, they will find that this proposal is in accordance with the views I expressed at that time. The underlying ideas are new to the legislation but not new in other respects; indeed, they have always been a part of my understanding of the realities of the central bank's position in relation to the Government.

To my mind there has never been any basis for doubt that in a democratic society the ultimate responsibility for monetary policy must rest with the Government and Parliament of the day. In this connection, you will recall that in speaking on second reading of the bill to amend the Bank of Canada Act, the Minister of Finance said: "The intent of the proposed amendment is not to change the basis of the existing relationship between the Government and the

Bank, which is based on these general principles and is working well in practice, but rather to give it clear legislative recognition."

The question may be raised whether the formal recognition which it is now proposed to incorporate in the law of the Government's responsibility for monetary policy will subtract from the ability of the central bank to operate without being subject to day-to-day political pressures—an objective which I assume Parliament had in mind in giving the Bank the special status it enjoys under the Bank of Canada Act, and one which seems to me to be in the public interest. I do not think that it will. The bill makes it clear that the issuance of any directive on monetary policy must be preceded by consultation between the Minister and the Governor, that it must be approved by the Governor-in-Council, that it must be written in specific terms and applicable for a specified period, and that Parliament and the public must be informed of its terms without delay. These are very important safeguards.

Moreover, and this is a crucial point, there is nothing in the bill which diminishes the personal responsibility which the Governor bears for the monetary policy being followed. So long as he occupies the position of Governor the public is entitled to assume that the policy being followed carries his personal judgment. As the Minister said in the second reading debate in the House of Commons, if the Government of the day ever issued a directive to the Governor to execute a monetary policy which he felt was contrary to the public interest, it may be taken for granted that he would resign rather than accept such a responsibility.

In the normal course of events, the existing process of regular consultation between the Minister of Finance and the Governor (which is made a statutory requirement under the bill) should provide a satisfactory means of resolving any serious differences of view on monetary policy which might arise between the Government and the Bank, and it is to be hoped that a situation calling for the exercise of the directive power will never occur. In actual practice, I have had no serious difference of view on monetary policy with any of the four Ministers of Finance with whom I have been associated as Governor. But whether or not the proposed directive power is ever actually used, it would seem to me desirable in all the circumstances to include such a provision in the Act so as to remove any possible future grounds for doubt as to where the ultimate responsibility for monetary policy lies.

I come now to proposals for improving the technical arrangements under which monetary control is exercised by the Bank of Canada.

Perhaps it might be helpful if I took a moment to remind members of the Committee of the essential features of the mechanism of monetary control in this country. A full and detailed account of these matters is contained in the Bank of Canada's submissions to the Royal Commission on Banking and Finance.

Briefly then, each chartered bank is required by law to maintain a reserve of cash in the form of deposit balances at the Bank of Canada or Bank of Canada notes. The amount of this cash reserve, on the average each month, must not be less than a specified proportion (at present 8 per cent) of the bank's total Canadian dollar deposit liabilities. Thus the total amount of cash available to the chartered banks to hold as reserves effectively limits the ability of the banking system to expand the total amount of its Canadian dollar deposit

liabilities. The supply of cash reserves made available depends on the operations of the Bank of Canada. Cash reserves are increased, for example, by the payments which the Bank of Canada makes when it buys Government securities, and they are decreased by the payments which the Bank of Canada receives when it sells securities.

The mechanism I have outlined gives the central bank control over the rate of increase of the Canadian dollar assets and deposit liabilities of the banking system. This affects the cost and availability of credit in Canada which, in turn, have an influence on the rate of spending, saving and borrowing in Canada and thus on our domestic economic situation and our external financial position.

The banking bills now before Parliament propose three changes in the cash and secondary reserve arrangements. Under the new Section 72 of the Bank Act, the present 8 per cent minimum cash requirement would be replaced by requirements of 4 per cent applying to term and notice deposits and 12 per cent applying to demand deposits. Based on the present structure of the banks' deposits, the proposed formula gives an average requirement of about 6.6 per cent. The bill provides for a period of gradual transition to the new system. As the Minister of Finance explained when introducing the Bank Act amendments, these new arrangements will enable banks to compete more actively with other financial institutions for term deposits. From the central bank's point of view it is important that the cash ratio which the banks are required by law to maintain should be at least as high as they would wish to keep to meet normal ebbs and flows of cash if they were subject to no legal requirement. It is only if this is the case that the banks will have a strong incentive to work closely to the specified minimum and will therefore respond reasonably quickly and predictably to changes in the reserves made available by the central bank. In my judgment the proposed requirements meet this test and will therefore have no adverse effect on the efficiency of monetary control. Members of the Committee will realize, of course, that the proposed reduction in the required level of cash reserves will not necessarily lead to a different rate of increase in the Canadian dollar deposit liabilities and assets on the part of the banking system, than would occur if the legal cash ratio were left unchanged at 8 per cent. The Bank of Canada can offset the effect of the change in the legal cash ratio by changing the level of actual cash reserves which it makes available to meet the requirement, and its actions in this respect will be determined by its view of the monetary policy which it is appropriate for it to follow in all the circumstances of the time.

It is also proposed in Section 72 of the Bank Act to shorten the time period to which the cash reserve requirement applies. At present the banks are allowed a full month over which to average their cash reserve holdings for purposes of satisfying the minimum reserve requirement. In my opinion, the existing arrangements leave something to be desired, for they do not always produce a quick and predictable response by the chartered banks to changes in the level of their cash reserves and this sometimes complicates the task of monetary management. The monthly averaging period gives the banks considerable scope to postpone their response to a change in the level of central bank cash in the system if this occurs early in the month. It also means that if the average level of cash has been comfortably in excess of the minimum requirement during the first part of a month and if some tightening of the system should become

desirable, rather strenuous action by the central bank in respect of cash reserves will be needed to produce much response during the latter part of the month. The proposed amendment to the Bank Act to reduce the length of the cash reserve averaging period to a half-month should, in my judgment, improve the efficiency of cash reserve management as a control technique by reducing the possibility of unduly slow responses on the part of the banks.

The other main proposal with respect to the technique of monetary control concerns secondary reserve requirements and appears as subsection (2) of Section 18 of the proposed Bank of Canada Act. This would empower the Bank of Canada to impose and vary a minimum secondary reserve requirement applicable to the chartered banks, replacing its existing power to vary the minimum cash reserve requirement.

I should explain in this connection that it is the practice of banks to hold some portion of their assets in very liquid form, such as day-to-day loans to the money market and treasury bills, as a secondary reserve which can be used to replenish their cash reserves quickly when necessary. The short-run impact of the Bank of Canada's cash management operations is normally on the chartered banks' holdings of these liquid assets. The week-to-week changes in the amount of loans outstanding reflect mainly customers' utilization of credits authorized some time previously. The trend of the chartered banks' loans outstanding and indeed their policies regarding authorizations of loans are rather insensitive to short-term fluctuations in their cash position except when the banks regard their holdings of Government securities and other liquid assets as being close to minimum levels.

Since 1956, by agreement with the Bank of Canada, the chartered banks have maintained a minimum average level of secondary reserves each month which, taken in conjunction with their cash reserves, has been equivalent to at least 15 per cent of their total Canadian dollar deposit liabilities. The secondary reserve assets to which the agreement applies are cash reserves in excess of 8 per cent, day-to-day loans to investment dealers and Government of Canada treasury bills. The existence of this agreement has played a limited but nevertheless useful role in making the response of the chartered banks' lending policies to cash management somewhat more predictable.

In certain situations the usual techniques of cash reserve management may need to be supplemented by some more direct and immediate method of influencing chartered bank lending policies. Circumstances could arise, for example, in which it was important to exert some temporary restraint on bank loan expansion while at the same time minimizing, so far as possible, a rise in market interest rates which would result from chartered banks selling Government securities to get the resources needed to meet the increased loan demand.

Under the existing legislation, the Bank of Canada could try to deal with a situation of this kind by invoking its power to increase the required cash reserve ratio applicable to the banks. The effect would be to impound liquidity which the chartered banks might otherwise be able to draw upon in order to postpone an adjustment in their lending policies, since the banks would have to sell liquid assets to the Bank of Canada to meet the higher legal cash requirements. The use of this power would, however, have incidental effects on

the earnings position of the institutions to which it applied, since cash reserves earn no return.

To replace this power to vary the required level of cash reserves it is now proposed that the Bank of Canada should have the power to impose and vary a secondary reserve requirement. This would provide an alternative means of impounding chartered bank liquidity. The exercise of this power would be subject to specified limits and notice requirements. If a secondary reserve requirement were imposed under this section of the Act, it could not initially be fixed at more than 6 per cent of the chartered banks' Canadian dollar deposit liabilities, and the maximum level to which it could eventually be raised would be 12 per cent. Increases in the required ratio would be limited to one per cent per month and would be preceded by one month's notice, as would the initial imposition of such a requirement. The secondary reserves included would be any cash in excess of the statutory cash requirement, day-to-day loans and Government of Canada treasury bills. The requirement would apply to the banks' average holdings of such assets each month.

The bill before the Committee contains several provisions which affect the existing arrangements regarding directors and management of the Bank of Canada. Partners, officers or employees of firms of investment dealers which act as primary distributors of Government of Canada securities would be added to the list of those ineligible for appointment to the Bank's Board of Directors. This is proposed on the ground that their business activities involve direct dealings with the central bank. The membership of the Bank's Executive Committee would be enlarged by the appointment of an additional director and the aggregate annual amount of directors' fees would be raised in order to permit more frequent meetings of the full Board. It is also proposed that certain pension provisions relating to the Governor and Deputy Governor be made subject to the approval of the Governor-in-Council, as their appointment and salary now are. These features of the bill are in accord with the recommendations of the Royal Commission.

It is also proposed to eliminate from the Bank of Canada Act certain sections which have become obsolete or have never been operative. Thus it is proposed to remove the section of the Act which requires the Bank of Canada to redeem its notes in gold on demand (old Section 22), and also to eliminate the section which requires it to maintain a reserve of gold and foreign exchange against its note and deposit liabilities (old Section 23). This reserve provision has not been in effect since 1940 when all of the Bank's gold and foreign exchange holdings, other than working balances of foreign exchange, were transferred to the Government's Exchange Fund. In a related amendment, the words "payable to bearer on demand" are to be removed from the description of Bank of Canada notes in Section 21(1) of the Act in recognition of the fact that the notes of the Bank have not in fact been convertible into gold since the Bank was established. It is also proposed to eliminate the section of the Act—20(1)—covering the power of the Bank of Canada to act as banker or fiscal agent of the government of a province. These are changes which were recommended by the Royal Commission.

I should also mention the new section (117) in the proposed Bank Act which, following a recommendation of the Royal Commission, would give the Bank of Canada power to require information from the chartered banks subject

to the proviso that they shall not be required to furnish information with respect to the accounts of an individual customer.

This covers the ground, Mr. Chairman, which I thought it might be helpful to the Committee to refer to in my opening statement. There are a few other minor changes of a technical nature in the bill on which I shall, of course, also be glad to answer questions if members of the Committee wish.

I might add that the chairman thought it might be useful if a copy of my statement on monetary and credit developments were placed before the committee. I made this statement a couple of weeks ago to the joint committee of the Senate and House on consumer credit in connection with its inquiry into trends in the cost of living. Copies of that statement, as well as the statement that I have just made, are available to members of the committee if they wish them.

The CHAIRMAN: Thank you, Mr. Rasminsky. I will ask the clerk to obtain copies and see that they are distributed now, if they are available. While this is being done, I think it would be useful if you introduced to the committee the advisers from the bank who are with you.

Mr. RASMINSKY: On my right is Mr. Beattie, who is Deputy Governor; Mr. Hébert, Deputy Governor, and behind me is Mr. Bouey, who is an Adviser of the Bank, and Mr. Johnstone, Deputy Chief of our Research Department.

The CHAIRMAN: We will now proceed to our questioning. I would ask those who want to ask questions of the Governor to signify in the usual way and they will be recognized in turn.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Rasminsky, I was interested in your comments with regard to the provision for cash reserve requirements as a means of exercising control, presumably, over total money supply. I notice in your evidence to the royal commission you had this to say:

The cash reserve requirement is the basic mechanism through which the bank exercises a control over the total of the deposit liabilities of the banking system.

The question I had in mind is this: has the Bank's power of control over the cash reserves ever been used? Have alterations in the cash reserve requirements ever been used as a means of controlling total money supply, or has the Bank always relied on open market operations?

Mr. RASMINSKY: The latter is the case, Mr. Cameron. The Bank has had the power, since the revision of the act in 1954, to vary the cash reserve requirements between 8 and 12 per cent. The cash reserve requirements have consistently been 8 per cent since that time.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There has been no variation?

Mr. RASMINSKY: No, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Island*): That leads me to my next question. I do not quite understand the necessity for setting the limits that you are now going to have in the new act of 4 per cent on notice deposits and 12 per cent on demand deposits. Is there any particular value in that in the way of enabling you to exercise control over total money supply?

Mr. RASMINSKY: The purpose of that proposed change from a straight 8 per cent to the mixed formula you have described was not to improve the efficacy of monetary control. Its purpose was to make it possible for financial institutions, the banks, which have hitherto been subject to a requirement of 8 per cent, to compete on more equal terms with their competitors, who were not subject to this requirement. So far as monetary control is concerned, the essential thing from the point of view of the central bank is that the legal cash reserve requirements, however arrived at, should be somewhat higher than the banks would wish to maintain if left entirely to their own devices. It is only if they are somewhat higher, than the banks would wish to maintain that the banks will be under continuous pressure to operate as closely as they can to the legal cash reserve requirements and, therefore, be in a position where the central banks can have some confidence that its action, in injecting cash into the system or withdrawing cash from the system, will produce a fairly predictable response from the chartered banks.

The CHAIRMAN: Mr. Cameron, if I may interrupt you for a moment. We are now in the position to put this meeting on a more official basis and, I would like a motion at this time to make our proceedings up to now part of the official record.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I so move.

Mr. LAFLAMME: I second the motion.

Motion agreed to.

The CHAIRMAN: I would also like a motion that we attach to the proceedings of tonight's meeting, the statement by Mr. Rasminsky to the committee on prices.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I so move.

Mr. LAFLAMME: I second the motion.

Motion agreed to.

The CHAIRMAN: I will now ask you to proceed.

Mr. CAMERON (*Nanaimo-Cowichan-The Island*): Mr. Rasminsky, what would be the effect if, instead of having these stated limits in legislation, the central bank were given the power which some central banks have—one at least that I know of,—the other one I spoke to—of setting the cash reserve requirements at any time at the figure that they consider to be suitable. Would that not give you more flexibility in your operations?

Mr. RASMINSKY: Yes, it would give the central bank more flexibility but it would seem to me, Mr. Cameron, it would give the Bank an unnecessary amount of flexibility. The present system provides the institutions that are affected by it with some assurance that they will not be required to hold more than certain minimum amounts of their assets in non-earning forms. Cash reserves, of course, do not earn interest. The institutions with which they compete and which are part of the financial system are not subject to this requirement. They can, broadly speaking, determine on the basis of their own business considerations the proportion of their assets they will hold in non-earning form. Although it is the case that unlimited power on the part of the central bank would give it more power than it has under limitations, I do not

think it is necessary for the central banks to have unlimited power for the purpose of monetary control.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I do not know this but you can probably tell me; do you envisage any situation which might arise if the present requirements were maintained, and not the new one which is proposed, where the bank has the power to vary it between 8 and 12. Can you envisage any circumstances in which it might have been necessary for the central bank to raise the cash reserve requirements.

Mr. RASMINSKY: The assumption being that we do have the power to vary it.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes, you have the power to vary it within those limits. You have told me that the Bank has not done so.

Mr. RASMINSKY: That is right, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Can you envisage any circumstances in which the Bank might feel it was desirable to do so?

Mr. RASMINSKY: I find it difficult to envisage circumstances in which the Bank would find it easier, as a practical matter, to use the powers to vary cash reserve requirements than it would to use the power to impose and then raise a liquid asset requirement. The type of situation which one thinks of as one that might call for action by the central bank to raise cash reserve requirements would be if, for example, there were a sudden inflow of foreign exchange into the country which for one reason or another had to be financed by the central bank. This is an unlikely situation but this is a possible situation. Something resembling this happened at the time of Korea in 1950. That is a situation where, if that contingency arose and the central bank had to finance the inflow or part of the inflow, the cash reserves of the banking system would be increased and there would be some danger of the credit situation getting out of control. A possible way of dealing with that situation, and probably the best way one could think of to deal with that situation, would be to immobilize the cash by raising cash reserve requirements, but the same could be accomplished by the power to increase the liquid assets.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You spoke of the banks having an incentive to work closely to the requirement levels. Did that refer also to the secondary reserves, the liquid asset reserves?

Mr. RASMINSKY: No sir, because the incentive to work as closely as possible to the minimum cash reserve requirements arises out of the fact that excess cash earns nothing and nature abhors the vacuum of a loss of profit. This consideration does not apply if you are speaking of secondary reserves because secondary reserves, to the extent that they consist of items other than cash, are earning assets.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is a fact, is it not, that the banks have in actual fact maintained a higher level than the 15 per cent?

Mr. RASMINSKY: That is right, sir. At the present time the banks' holding of secondary reserves under the convention with us is, I think, closer to 18 per cent than it is to 15 per cent.

The CHAIRMAN: I might say, Mr. Rasminsky, that you may feel free to ask any of the people you have with you from the bank to deal with any questions.

Mr. RASMINSKY: Thank you very much, I am sure I will take advantage of that offer.

At the present time, in our last weekly release for the average of the week ending October 26, the ratio of the banks' cash and secondary reserves to their deposit liabilities was 18.02 per cent. So it was well in excess of the conventional figure of 15 per cent.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would there be any possibility of a delay which might introduce a lag in the action of monetary policy because of the notice deposit requirements?

Mr. RASMINSKY: No, I do not think so, Mr. Cameron. The cash reserves for any month are determined on the basis of figures for the preceding four-week period and for every month we know, and the banks know, how much they have to have in the way of cash deposited with the Bank of Canada to attain their legal minimum requirements. The difference that this will make is that the arithmetic will be just a little bit more complicated. There will be an extra sum to do but it will still be a specific figure. We will know how much cash there will have to be in the system to enable the minimum to be reached and therefore we will know, if we want to make things a bit easier, the base from which we have to operate in putting some extra cash into the system. Changes in the composition, changes in the mix of the chartered banks deposit liabilities to the public, shifts from demand deposits to notice deposits, or vice versa, would, of course, change the cash requirements over a period of time but they would do so very slowly. I do not believe that these minor complications that I refer to will reduce the effectiveness of monetary control.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Not even to slowing its effect?

Mr. RASMINSKY: No, I do not think so.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Thank you, that is all.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, I would like to ask you what is the reserve in bullion behind Bank of Canada notes?

Mr. RASMINSKY: Nothing at all, Mr. Grégoire. The Bank of Canada has no bullion, no gold.

Mr. GRÉGOIRE: There is no gold reserve behind Bank of Canada money?

Mr. RASMINSKY: No, Mr. Grégoire.

Mr. GRÉGOIRE: It is true, then, to say that Canadian money is not based on gold?

Mr. RASMINSKY: Yes.

Mr. GRÉGOIRE: I would like you to say that ten times in a row. I had heard it said in Canada that our money was based on gold. So there is no gold reserve whatever behind Bank of Canada bank notes?

(Translation)

Mr. RASMINSKY: Obviously, we have reserves of bullion which are maintained by the Government of Canada.

Mr. GRÉGOIRE: But Canadian money is not based on gold?

Mr. RASMINSKY: No, sir.

Mr. GRÉGOIRE: Mr. Rasminsky, I do not unfortunately have the latest figures. I will take my figures from the statistical Review of Canada of September 1966. At the end of June 1966, that is the last month for which I have figures, the total of banking reserves was \$1,492,000,000. If we consider that this constituted an average reserve figure of 8%, this had allowed the chartered banks liabilities of eighteen billion, four hundred thousand and some odd dollars. Now, let us figure this out. If we reduce the average of reserves to 6.6%, and assuming that the reserves of the chartered banks remain at \$1,492,000,000, this will allow the chartered banks to have liabilities and deposits of \$22,606,000,000—that is, an increase of \$4,163,000,000. Is that the case?

Mr. RASMINSKI: With the hypothesis you have stated, yes. You said if we allow the banks the same total amount of cash reserves, the result then would be an expansion of the deposit liabilities. However, I have already said in my original statement that this will not be the case because it will be up to the Bank of Canada to decide what will be the appropriate amount for reserves, cash reserves, in the chartered banks.

Mr. GRÉGOIRE: Then, you would see that there would be a reduction in cash reserves in the chartered banks?

Mr. RASMINSKY: No. The simplest answer would be this. Obviously, after the transition to this new percentage of 6.6, the chartered banks will be in a position, let us say, to transfer an amount equal to 1.4% of their deposits from the Bank of Canada into productive assets. The correct way to look at this would be for the Bank of Canada to sell an amount of bonds approximately equal to 1.4% to the chartered banks. The total amount of the deposits would remain the same. From the point of view of the total assets of the chartered banks, they will be enabled to convert unproductive assets into assets bearing interest.

Mr. GRÉGOIRE: But if the Bank of Canada decides not to sell bonds, and if the chartered banks do not wish to reduce their total reserves, this would mean that this 1.4% would match, as far as the chartered banks were concerned, a possibility of increasing the deposit liabilities by \$4,463,000,000.

Mr. RASMINSKY: No. That is not possible, because the Bank of Canada can still reduce them, it can still withdraw that.

Mr. GRÉGOIRE: But if you do not do so, there would be a possibility for the banks to increase their deposit liabilities by \$4,163,000,000.

Mr. RASMINSKY: Yes, but...

Mr. GRÉGOIRE: In purely theoretical terms.

Mr. RASMINSKY: In purely theoretical terms if we decided to-morrow to add \$200,000,000 to the bank's deposits, this would certainly bring about a consider-

able increase in the level of deposits. But this is purely theoretical. I can assure you that we have absolutely no intention of doing that at all.

Mr. GRÉGOIRE: But if you increase the reserves of banks by \$10,000,000 or \$200,000,000, this would allow them automatically to multiply when we have 8% or 12%—their deposit liabilities?

Mr. RASMINSKY: No, I would not say that, Mr. Grégoire, because each bank, in order to increase its deposits, must struggle to get its share of what we put into the system.

Mr. GRÉGOIRE: I am speaking of the whole system. I am not speaking of one bank in particular. Each time the Bank of Canada allows chartered banks to acquire \$10,000,000 or \$200,000,000 in the form of new reserves, this allows the entire chartered bank system to increase its deposit liabilities by 12½ times according to the former average percentage of 8%, I believe it was. This allows them, then, to increase their deposit liabilities by 12 times, going on the basis of the former figure of 8%. And according to the new figure of 6.6% this allows them to increase their deposit liabilities by fifteen times. This increase...

Mr. RASMINSKY: If you do not mind my saying so, I think there is a certain amount of confusion here in your view of the position of the banks in comparison with the position of other financial institutions. I feel that this reserve system, this fractional reserve system, with which you have been dealing does not allow the chartered banks, does not provide the chartered banks, with such a considerable advantage by comparison with other financial institutions which do not come under the central reserve system. If the central bank wishes to follow a liberal policy, and if it wishes to add to the cash reserves of the banks, all financial institutions will be able to increase their volume of business. It will be possible for them to buy more bonds, get more loans, etc, on condition, of course, that they attract and retain deposits. In order, then, to attract these deposits, they will have to pay interest and serve the customers in various ways. There is nothing automatic in this process. I have given a great deal of thought to this matter and I have prepared a considered answer to the questions you are putting to me now at this time. If you do not mind me reading this answer I will do so.

The CHAIRMAN: Just a moment, please, the witness has an answer ready to your question.

Mr. GRÉGOIRE: Go ahead I can return later.

The CHAIRMAN: I believe it would be useful for the Committee to have this answer which represents a considered opinion of the Governor.

Mr. RASMINSKY: I will give you a choice, you can hear this answer in rather good English or in very bad French.

(English)

Mr. GRÉGOIRE: Mr. Rasminsky, it is up to you. I can understand both.

I must congratulate you. You must not say you speak French badly because I think it is very good.

(Translation)

The CHAIRMAN: The two languages are official here, so I do not think that there is any point in mentioning a matter of languages.

(English)

Mr. RASMINSKY: Well, if you do not mind I will make this reply in English. I will continue what I was saying, before Mr. Grégoire. I would like to emphasize the basic similarity between the business carried on by the chartered banks and the borrowing and lending activities of other kinds of financial institutions. This is not to say that there are no differences between chartered banks and other institutions in terms of what they can or cannot do. Such differences as there are, however, are mainly matters of degree; there are no basic differences in their power to expand or contract credit. If the chartered banks enjoyed a fundamental advantage over competing institutions in this respect, one would expect them to grow more rapidly than other financial institutions. In fact, however, the total Canadian assets and deposit liabilities of the chartered banks have grown by only about 80 per cent over the past decade, as compared with increases of the order of 300 per cent and more in the assets and liabilities of trust companies, mortgage loan companies, caisses populaires and credit unions.

Before comparing the operations of banks and other financial institutions it is necessary to examine the way in which the total amount of credit extended and debt owned in the community grows. Credit is expanded whenever anyone borrows from someone else, and it is reduced whenever anyone pays off a debt. If one person borrows from another, let us say to buy a house or a car, this transaction increases the amount of credit and the amount of debt in the economy. Business firms and governments also borrow to increase or provide for their expenditures by persuading others to lend or invest in their promissory notes, securities, or similar obligations. It is necessary, of course, for the borrower to convince the lender or investor of his ability to repay at maturity, and he has to offer to pay a sufficiently attractive rate of return.

Taking things a stage further, a man may borrow, not for the purpose of buying something himself, but instead for the purpose of re-lending the funds to someone else at a profit. He might know someone willing to lend to him at a relatively low rate of interest and be able to employ the funds at a higher rate, say in a good mortgage loan. In a transaction of this kind, he acts as a financial middleman between someone who does not need the funds for the time being and someone else who does. If he knew of many similar opportunities, he might be able to make a regular business of acting as a financial middleman.

This is in fact what financial institutions—financial intermediaries, as they are often called—do. They can carry on the business of borrowing from some and lending to others more cheaply and efficiently than most individuals can because they can pool the risks inherent in each particular loan and can hire people with specialized knowledge and experience in managing such a business. Just like an individual middleman, however, a financial institution can stay in business only so long as it continues to be successful in persuading people to acquire and hold its obligations. In order to increase its lending it must increase its borrowing, by persuading people to take up more of its deposit liabilities,

certificates, debentures or other obligations. This is just as true of a bank as it is of any other financial institution or person.

There is a wide range of financial institutions in Canada which accept deposits including chartered banks, Quebec savings banks, trust and mortgage loan companies, credit unions and caisses populaires, and provincial government institutions. We have prepared for the committee statistical tables, which perhaps could now be distributed, which show the ways in which each of these groups of institutions borrow and lend.

The borrowing instruments of financial institutions take a variety of forms designed to appeal to the particular requirements of various types of saver and investor, and the rate of interest offered is one of the main ways of persuading people to hold them. The term of the debt may be fixed for periods of varying length, or there may be no fixed term with the holder of the debt being entitled to repayment on demand or after a specified period of notice. In the case of a chartered bank, its debts to its customers are called deposit accounts. A bank seeks to make its fixed term and notice deposit accounts attractive to the public by paying interest on them. Deposit accounts on which little or no interest is paid generally entitle the holder to make cash withdrawals or transfers of funds by cheque on demand, thereby providing the public with a relatively safe and convenient means of holding working balances and effecting payments. Although a bank pays little or no interest on such accounts, it incurs substantial costs in providing the various banking services available to the account holders which are only partly recouped from the depositors through the levy of service charges.

There are of course some differences in the types of borrowing done by the various kinds of institutions but I would draw your attention to the very important similarities. Nearly all of them borrow by accepting deposits and by persuading people to lend to them in this way. Banks have a substantial volume of demand deposits which can be transferred by cheque to make payments, but many other institutions also operate chequable deposit accounts for their customers. From demand deposits at one end of the spectrum to long-term secured debentures at the other end there is a great and growing variety of instruments including deposits, certificates, promissory notes and other types of obligations and shares, offering a great variety of maturities—fixed or optional and from the shortest to the longest—in response to demand from investors. Within this borrowing spectrum there are no sharp or natural dividing lines which completely separate one kind of financial institution from another.

There are also some differences between various kinds of institutions in the types of lending they do, but again there are important similarities. The chartered banks do a great deal of short-term lending to businesses and consumers and others but they also make term loans and invest in Government of Canada securities, provincial and municipal and corporate bonds, and in mortgages. There are other institutions which tend to specialize in residential mortgage lending, or in consumer lending, but they may also buy commercial or industrial mortgages and make other kinds of loans or investments as well.

Looking at both the borrowing and lending sides, it can be said that there is virtually no kind of business done by a chartered bank which is not carried on by some other financial institutions. Many other financial institutions engage in most of the same kinds of borrowing and lending as the chartered banks,

although the mixture of the business may be different. It is not surprising that this Committee—and I know this from the account that I have heard of your discussions when Mr. Elderkin was the witness—has found the definition of the “business of banking” to be a difficult problem. My own view is that, as a practical matter, the distinctive feature of the “business of banking” is primarily borrowing by incurring obligations which are repayable on demand, or at short notice, but certainly this kind of business is done in varying degree by a great many financial institutions other than chartered banks.

In the tables which have been distributed we have shown the various types of assets and liabilities held by each broad group of institutions, with percentage distribution and the changes that have taken place from 1960 to 1965. These tables show exactly how each group borrowed the funds which it loaned, or invested, in the manner shown in the tables by increases in different classes of asset.

I do not think it is necessary for me to go over the tables in detail, but I might be permitted to point out one or two of the key features in the tables.

First of all, so far as cash reserves are concerned—the subject matter of Mr. Gregoire’s question which has led to this statement—as you will see from the right hand column, the cash held by the chartered banks at the end of 1965 amounted to 7.4 per cent of their total assets. In case anyone thinks they were breaking the law, the law requires them to hold eight per cent of cash against their deposit liabilities, and their total assets are greater than their deposit liabilities. The chartered banks held 7.4 per cent of cash against their total assets; the Quebec savings banks held 6.5 per cent—their cash reserves were 6.5 per cent; the trust companies, cash on hand and on deposit, 2.9 per cent; the mortgage loan companies, 2.2 per cent; the credit unions and the caisses populaires, 11.1 per cent.

I may say that for the credit unions and caisses populaires the accounts shown are the combined totals of all the local societies, and their cash includes cash which they held with each other and with the centrals, as well as cash which they held outside that system, that is, with the chartered banks, on a consolidated basis. A consolidated basis was worked out for the Royal Commission on Banking and Finance as at the end of 1961. It is probable that the amount of cash held outside the system, by the credit unions and caisses populaires, was about half the 11.1 per cent figure shown here.

That is the first general comment that I would like to make, that all institutions hold cash reserves, and the cash reserves held by the chartered banks were, on the whole, higher than the cash reserves held by other classes of institutions.

The second general comment that I would like to make on these tables is to draw your attention, in confirmation of what I said in the main statement, to the difference in the growth rates of these different classes of institutions during this period; and those differences applied to a longer period than the one shown in this table.

Looking at the second column from the right, the total assets and liabilities of the chartered banks between 1960 and 1965 increased by 45 per cent. The increase in the case of the Quebec savings banks was 38 per cent; the increase in the case of the trust companies was 169 per cent; in the case of the mortgage

loan companies it was 156 per cent; in the case of the credit unions and *caisse populaire* it was 94 per cent; in the case of the Alberta treasury branches it was 102 per cent.

The only other comment that I would make is just to draw your attention to the differences in the composition of the other assets and liabilities. These correspond to differences in the general characteristics of the business undertaken by these institutions. Each of these great groups of institutions contains some which do a chequable business; that is, all of these groups contain some institutions which, on the definition of "banking" which I indicated in my prepared statement, I would say are doing a banking business.

(Translation)

The CHAIRMAN: We are thankful to you, Mr. Grégoire, to have provided us with an opportunity of hearing these very useful comments.

Mr. GRÉGOIRE: Again I wish to put the same question to you. The same question I put to you a moment ago. If the Bank of Canada buys bonds or other reserves. This then multiplies by fifteen its possibilities in the form of deposit Bank of Canada cheques within the chartered bank system or elsewhere, what the chartered bank system will receive from the Bank of Canada in the form of cheques, can be returned by them to the Bank of Canada, thereby increasing its reserves. This then multiplies by fifteen its possibilities in the form of deposit liabilities, that is, increasing by fifteen the deposits they have with the Bank of Canada. All this is possible under the new Act, reducing to 6 per cent the average required reserves for chartered banks. Is this the fact, yes or no?

The CHAIRMAN: One moment, Mr. Grégoire.

Mr. GRÉGOIRE: But as long as they have the deposits, they may multiply these reserves by 15. Is that a fact?

(English)

Mr. RASMINSKY: I do not think that that is a useful way of looking at this question, Mr. Grégoire. I think that the way I, at any rate, would look at this question is this: If the Bank of Canada buys an asset and so increases the cash reserves available, in the first instance, to the commercial banking system, this has the effect of encouraging a general expansion in the amount of borrowing and lending that takes place in the economy.

The charter bank receiving the cash will find that it has cash surplus to its requirements. It will not want to leave it without earning any interest, and will, therefore, acquire an asset of some sort. In the first instance the bank pays for it by crediting the account of the person selling the asset; so that at this stage the bank has increased its assets and its liabilities. The one who has sold the bank the asset, who for example, has borrowed money from the bank, has not done so for the purpose of leaving the money on deposit at the bank. He will spend the money and it will get into someone else's hands.

The normal supposition is that this money will find its way to all financial institutions, that is, banks, *caisses populaires*, trust and loan companies, in about the same proportion as individuals or corporations are holding their assets—their very liquid assets—with financial institutions. If the bank is to be able to keep the asset which it has originally acquired, it will have to compete along with other financial institutions for the deposit. There is nothing magic here

which happens which enables any individual bank to retain a deposit without competing for it. In that respect it is in exactly the same position as any other financial institution. If you put it as a pure arithmetical proposition, that if the cash reserve ratio is 8 per cent, and the banks do not have any excess cash reserves, the ratio of the banks' deposit liabilities will be as $12\frac{1}{2}$ is to 1—as an arithmetical proposition—that is undoubtedly true, but I do not think that stating that as an arithmetical proposition really throws very much light on the monetary process itself.

[Translation]

The CHAIRMAN: Mr. Grégoire, I think even taking into account the time taken by the Governor in his statement, which was about ten minutes, it might be a good point to give the floor to somebody else at this point.

Mr. GRÉGOIRE: Very well. I think everybody should be able to put questions, but I will have an opportunity to return later when other people have had a chance to put questions too. I might have an opportunity later to keep Mr. Rasminsky before the committee for a little while yet. However, here is my last question for the moment, and it might allow me to put my question to Mr. Rasminsky later from another point of view. In the increase in the economy of the country, what comes first, loans or deposits?

[English]

Mr. RASMINSKY: The two things go together, Mr. Grégoire. I do not know what the real meaning of your question is. It is a part of the whole process of economic expansion that there is more borrowing and more lending, and I do not think that you can say that one goes before the other.

(Translation)

Mr. GRÉGOIRE: What comes first in the operation of chartered banks—is it the lending of money to an individual, is it the deposit in the bank?

(English)

Mr. RASMINSKY: Undoubtedly, from the point of view of the individual bank, it must have the resources which it lends.

(Translation)

Mr. GRÉGOIRE: Can the resources be constituted by the banking reserves?

(English)

Mr. RASMINSKY: Not to any significant degree. The resources that any individual bank lends are derived from the deposits which it is able to attract. The total amount of deposits—the total of liquidity in the economy—including the position of non-bank financial institutions, is, of course, affected by central bank policy, and at a time when charter bank deposits are going up, it is virtually certain that, if the non-bank financial institutions are being competitive, their deposits will also be rising, and perhaps rising even more than the deposits of the chartered banks. There is nothing special about the position of the charter banks, as a result of their membership in the central reserve system, which enables them to derive growth from the process of credit expansion, which is not also derived by competing non-bank financial institutions.

(Translation)

Mr. GRÉGOIRE: I will return to those matters.

(English) (The Chairman says: "The Chairman has just finished his remarks.")

The CHAIRMAN: I think I will now recognize Mr. McLean, followed by Mr. Leboe and Mr. Gilbert—not necessarily all this evening.

Mr. McLEAN (Charlotte): Mr. Rasminsky, you said, about the demand to pay, if it was going to be divorced from gold—that it had not been enforced for years. Is that right?

Mr. RASMINSKY: Yes.

Mr. McLEAN (Charlotte): There has been a great deal of controversy about the role of gold. Canada is, I presume, one of the big ten, and I notice that Canada has never advanced the proposition that the price of gold should be advanced.

If you look back to 1934, gold was \$35 an ounce, and platinum was \$45 an ounce; and gold today is \$35 an ounce and platinum is \$159 an ounce, and going up. The United States, on the one hand, says that gold will decline in importance, as it has been doing over the course of history. The economists, Salant and Jacques Rueff say that over the centuries gold has retained its value, while paper money time and again has been wiped out by inflation or devaluation. These are two opposite views, yet we have gold in Canada from coast to coast, and we are selling gold at the present time to the United States. The United States administration more or less makes the brag that their gold reserve has not gone down this last year—only \$450 million—and lately it has not gone down at all.

They do not say, on the other hand, that Canada has supplied them with \$200 million in gold; yet that gold that Canada has supplied to the United States has cost Canada more than \$35 an ounce. We are paying subsidies to our gold mines, yet those subsidies do not open any more new gold mines. They just keep the old ones going.

I would like to know how Canada can continue saying that gold is of no value, that we want to divorce it from our currency when noted economists say that it retains its value. For instance, I have some gold right here. In 1922 it was worth \$38.50; in 1935 it was worth about \$70, and I paid \$225 for it the other day; and the economists in the United States say that gold would decline in importance, when going over the course of history, as it should.

On the other hand, I have here a couple of 7 per cent bonds of the city of Vienna, each for 500,000 pounds and they are worthless. Gold, it seems to me, should play a distinct part in the monetary system. For instance, we have a balance of payments problem with the United States at the present time. They say that they are trying to reduce this problem, but what are they doing? They are upsetting Europe. Of course, we know that money has no patriotism at all. The United States administration says: "If we raise the price of money in the United States it is going to bring the money back from Europe". But what did it do? It raised your old dollars up to 7 or 8 per cent in Europe. This is no cure; high interest rates are no cure for what is the matter with us.

I think that, as far as gold is concerned, Canada should do something about it. We have it from coast to coast and the cost of getting gold out of the ground has certainly doubled or trebled; we had \$2 billion in gold coming into circulation in the world this last year; \$500 million from Russia, and \$1,500

million being mined and what did we get in the banking system? We got \$250 million in the banking system. This goes on and on.

Then we say that we do not have liquidity. I am interested in liquidity in the worlds' banking system, because in my associated companies we do three quarters of our business in world business. The United States, to my mind, is upsetting the banking system, or the liquidity of the world, because you cannot take \$3 billion or \$4 billion out and keep your trade going.

It seems to me that we are again on the verge of what happened in 1929. During the 1920's the United States would not take products; they wanted gold. When they got the gold they upset world trade and it is world trade on which Canada has to depend, because our per capita exports are higher than in any country in the world—we are fifth in exports—and we depend on world trade.

It seems to me that if Russia can dig gold out of the ground at any price, \$75 or \$100—and economists think that at the present time it is costing Russia \$100 an ounce to get the gold out of the ground—yet when they do it they have a world currency, and they can buy anything they want in any part of the world. Why Canada does not do something about their gold situation is more than I can understand.

When the big ten meet and they want a solution for liquidity, Canada's voice is not raised; she does not say a word about gold. In fact, I was told that gold was a little old-fashioned. But when the International Monetary Fund require us to put up \$100 million in Canadian currency do they not also ask us to put up \$25 million in gold? Therefore, gold really is a store of value, and is a store of value all over the world. Why should not the Bank of Canada and why should not our representatives on the big ten, endorse gold, and see that Canada gets some of this international currency out of the ground.

I would take it that, as far as liquidity in Canada is concerned, it is controlled entirely by the Bank of Canada. We do not need gold because it is controlled by the Bank of Canada, but when we go into world markets and world settlements, we do need gold. It seems to me that—

The CHAIRMAN: Perhaps it might be useful to have Mr. Rasminsky respond to some of the very interesting points you have raised.

Mr. McLEAN (*Charlotte*): I would certainly like to know.

The CHAIRMAN: Do you wish to comment on some of the thoughts put forward by Mr. McLean?

Mr. RASMINSKY: I think one thing on which I would like to comment is the suggestion that Mr. McLean made, that I said that gold was of no use. I certainly did not.

Mr. McLEAN (*Charlotte*): In Canada; as backing for—

Mr. RASMINSKY: As backing for currency. I would certainly say nothing at all to deprecate the value of gold. I am delighted with the amount of gold which we have and with any further increases that take place in our general international liquidity, but the fact of the matter is that the use of gold in our financial system, so far as Canada is concerned, is the one that Mr. McLean has indicated. It is useful in the settlement of international balances, as part of our international reserves.

With regard to what Canadian government policy should be relative to the price of gold, which I take it is what Mr. McLean is referring to, that is a question which would really have to be put to the Minister of Finance rather than to me.

What the Canadian government, or any other government, could do in the matter is, of course, another question. The world price of gold is not within the control of the government of Canada. In any case, it is certainly not within the control of the central bank.

Mr. McLEAN (*Charlotte*): Could I ask a question here? What is to hinder the Canadian government from buying newly-mined gold in Canada at double the present price?

Mr. RASMINSKY: That would constitute depreciation of the Canadian dollar.

Mr. McLEAN (*Charlotte*): How would it? It is gold that has been depreciated, not the Canadian dollar.

For instance, if the International Monetary Fund says that 25 per cent backing is what they want for paper, then we could mine our gold, could we not, and mint it, and put the 25 per cent behind it; and we would still have quite a big surplus.

The CHAIRMAN: Do you have any comments?

Mr. RASMINSKY: No. I really think this range of subject matter is not one on which I would want to comment.

Mr. McLEAN (*Charlotte*): I just took it that we were taking the gold out of our currency although the United States has \$10 billion behind their currency at the present time. They want to get it out, but they cannot. But they do have it behind their currency; and we are taking it from behind our currency. As far as Canada is concerned, I cannot see that we need it.

Mr. RASMINSKY: We are not doing anything new as regards taking gold out from behind our currency. Nothing new is proposed in this legislation. This has been the situation for some decades now, and all that the proposed legislation does is recognize what the fact of the situation is, that is, that Bank of Canada notes are not redeemable in gold and that the Bank of Canada holds no reserve against it.

Mr. McLEAN (*Charlotte*): If gold is becoming useless, why did \$2 billion come into the world monetary system and all but \$250 million disappear?

Mr. RASMINSKY: But it is not useless; it is used in the settlement of international balances.

Mr. McLEAN (*Charlotte*): How could that be when they only get \$250 million out of \$2 billion? It cannot be used in international balances. We have the Portuguese colony of Macao buying \$1,500 million, and the Portuguese government collecting \$1 or \$1.15 commission on each ounce of gold.

An hon. MEMBER: We will have to ask the Minister about this.

The CHAIRMAN: Yes, that is right; we must recognize that, although the governor holds a position of great independence in our system, he is still restricted with respect to pronouncements of government policy.

I know that he will, as he has already done, feel free to point it out to the committee when he feels that he is being asked to comment on matters of policy; and members of the committee, I know, will want to reserve these questions for the Minister of Finance when he appears before us. I am sure that the Minister's parliamentary secretary will be taking note of these points.

I wonder if at this stage I might have the indulgence of the committee. It is close to quarter to ten, and rather than getting into an area of questioning, either from yourself, Mr. McLean, or from another member of the committee, which might be difficult to break off without destroying the train of thought, I would suggest we deal with a few procedural matters.

First, I think we should have a motion to incorporate in our proceedings for this evening, the document presented to us by the governor headed "Summary Balance Sheets of Selected Financial Institutions".

Mr. LEBOE: I so move.

Mr. CLERMONT: I second the motion.

Motion agreed to.

The CHAIRMAN: The second item we should deal with is our schedule of meetings for tomorrow. As I told the committee last week, the governor must leave for Europe at approximately 4.30 this coming Thursday afternoon. A distinction has been conferred upon him, which is a credit both to himself and to Canada. He has been asked to deliver the Per Jacobsson lecture, and, of course, we would not want him to be late for this tribute, as I said, to himself, to the Bank and to Canada.

I, therefore, suggest that we try to have at least two meetings tomorrow, in the morning and the afternoon.

I understand the Governor will be available tomorrow evening and I thank him for his courtesy in this regard, but I suggest that we see how we are getting along tomorrow afternoon before definitely scheduling a meeting for the evening.

Are we agreed, then, that we would meet at 11 o'clock tomorrow morning, and at 3.45 tomorrow afternoon, with a possible evening meeting, depending on how the committee proceedings go? I think we should make that firm so that we will not get tied up with problems on the Orders of the Day, if any arise.

Mr. LEBOE: The notice says 3.30.

The CHAIRMAN: It would be 3.45, anyway. If the notice says 3.30 those who are not here will, I am sure, be informed by their colleagues.

That being the case, I declare the meeting adjourned until tomorrow morning at 11 o'clock.

APPENDIX D

MONETARY AND CREDIT DEVELOPMENTS

Statement by Mr. Louis Rasminsky
Governor of the Bank of Canada

prepared for the

Joint Committee of the Senate and House of Commons
on Consumer Credit
in connection with its inquiry into
trends in the cost of living

October 13, 1966

MONETARY AND CREDIT DEVELOPMENTS

I am pleased to have the opportunity of appearing before this Committee. There is reason to be concerned at the size of some of the recent increases in Canadian costs and prices, and I wish to do everything possible to assist the Committee in its work. I know that you are giving highest priority to a consideration of food prices and that you have heard and will be hearing from witnesses who are qualified to give expert evidence in that field. The most suitable ground for me to attempt to cover is the general area of monetary and credit developments. In particular, I would like to explain the way in which the Bank of Canada has approached its responsibilities in relation to the country's major economic goals, including that of reasonable price stability.

May I begin by reviewing briefly some highlights of the current economic expansion. It has now lasted for five and one half years and is by far the longest expansion in our peacetime history. It has brought us some very substantial benefits. When the final results for 1966 are in, I expect that our gross national product will be over 50 per cent higher than it was in 1961 in dollar terms, and 35 per cent higher in real or physical terms. Our population has grown rapidly in this period but on a per capita basis GNP will still be 40 per cent higher in dollar terms, or about 25 per cent in real terms. This represents a very major improvement in the average standard of living in this country over a brief five-year period. Employment has risen enough to look after a sharp rise in the labour force and at the same time to bring the level of unemployment down from just over 7½ per cent in the early part of 1961 to the 3½-4 per cent range of the past twelve months. Taking the expansion period as a whole, the Canadian experience also looks very good when it is compared with that of other countries. The rate of growth in physical output achieved here has been among the highest in the world, averaging 6 per cent per annum, while the rate of increase in consumer prices, although higher than we would like to see, has until quite recently been among the lowest in the world, averaging about 2 per cent.

REAL OUTPUT AND CONSUMER PRICES

Percentage Changes in Selected Countries

Compound Annual Rate of Change Change in Consumer Price Index

	1961 to 1966	1st half/61 to 1st half/66	1965 to 1966 (Average of Latest 3 Months Available)			
	Total Output*	Per Capita Output*	Consumer Price Indexes	Total	Non-Food	Food
Canada	6.2	4.4	2.0	3.9	2.9	6.8
United States	5.4	4.0	1.5	2.9	2.6	3.9
United Kingdom....	2.8	2.1	3.7	3.8	3.3	4.8
Germany	4.6	3.2	3.1	3.6	4.4	2.7
France	5.1	3.6	3.8	2.2	1.9	2.5
Italy	4.5	3.6	5.0	2.3	2.3	2.2
Netherlands	5.1	3.7	4.5	5.8	6.0	5.6
Belgium	4.4	3.6	3.2	4.5	n.a.	n.a.
Sweden	4.5	3.8	4.4	7.0	6.2	7.9
Switzerland	4.6	2.7	3.8	5.0	n.a.	n.a.
Japan	7.8	6.7	6.5	6.0	7.1	4.4

* 1966 output figures estimated.

I do not believe that it was an accident that we simultaneously enjoyed markedly rising output and relatively stable prices over this long period of expansion. On the contrary, I believe that our record of comparatively stable prices over most of this period, notwithstanding the depreciation of the Canadian dollar, made an important contribution toward maintaining a vigorous rate of economic expansion for such a long time. It protected our international competitive position and enabled us to avoid some of the distortions and imbalances in the internal structure of our economy which arise when prices are rising rapidly. The concern that we feel about the more rapid cost and price increases we have been experiencing recently springs partly from the inequities that they inflict on some sections of the community and partly from the risk that they may jeopardize the continuance of the long period of expansion we have enjoyed.

I said a moment ago that the performance of our economy from 1961 to 1966, both in terms of total output and prices, has been relatively good by international standards. I now have to make an important qualification, or rather to provide an important part of the explanation. We had in fact more scope than most countries for increasing output without this generating upward pressure on prices because we began the current expansion under conditions of high unemployment, substantial underutilization of productive resources, and a rapidly growing labour force. Productive capacity grew rapidly and it was not until well along in the expansion that the economy was again operating close to its effective limits. For example, it was not until the end of 1963 that unemployment came down to less than 5 per cent of the labour force and not

until late 1964 that it fell below the $4\frac{1}{2}$ per cent level. For the past year or more, however, there has been very little effective slack left in the economy and this avenue of relief from price pressures has disappeared. As a result, our powers of effective resistance to rising prices have been subjected to a much sterner test, and our price performance has unfortunately deteriorated. This deterioration has been a matter of widespread concern, as evidenced by the deliberations of this Committee, because one of our major economic objectives is to have the economy operate with reasonable price stability as well as a minimum of unemployment and underutilization of other productive resources.

There appear to be some special factors associated with the price rises of the past two years, particularly in the case of food and some services, to which the Committee will no doubt be devoting particular attention, but there can be no doubt that the general situation has for some time been one of substantial general upward pressure on prices. In my last annual report, dated February 28, 1966, I made the following comment on price movements:

"... Although the principal measures of final prices were affected during the year by some special factors, it seems clear that prices were responding to influences of a more general nature and were beginning to rise more rapidly over a wide range of goods and services."

In the same report, I summarized some of the factors that were at that time producing general pressure on our resources in the following terms:

"At the present time, against the background of continuing vigorous expansion in the United States, a number of domestic factors are combining to produce very strong demands on our resources. Private business is engaging in a major round of capital expenditures. The public sector of the economy is proceeding with a rapidly growing volume of capital outlays on educational facilities, hospitals, highways and other social capital while at the same time increasing its other expenditures. Consumers are well placed, as a result of rapidly growing employment and rising wages and salaries, to increase their spending substantially. In these circumstances, the aggregate of all demands on the Canadian economy may outrun the effective capacity of the economy to increase its output of goods and services. In short, we now run the risk of over loading the economy."

Before turning now to a description of the way in which monetary policy has developed over the economic expansion, I would like to make some general observations about the nature and significance of the central bank's operations. These matters are set forth in some detail in the Bank of Canada's submissions to the recent Royal Commission on Banking and Finance, but perhaps it would be helpful in understanding the role that monetary policy plays if I were to comment on three main points.

First, how does monetary policy work? In essence the central bank is able to influence credit conditions, by which I mean the ease or difficulty of raising money and the cost at which it can be obtained, and changes in credit conditions in turn have an influence on the total amount of spending on goods and services. The Bank of Canada exerts its influence mainly in an indirect manner, through the banking system. The chartered banks are required to maintain cash reserves in the form of deposits with the Bank of Canada and Bank of Canada notes in

an amount equal to at least 8 per cent of their deposit liabilities. The Bank of Canada Act gives the Bank powers which enable it to control the level of cash reserves, the most important means being the purchase and sale of Government securities. The extent to which the chartered banks as a group are able to increase their loans and investments is therefore determined by the amount of cash reserves provided by the central bank. The rate of expansion of the banking system has in turn an influence on the position of other financial institutions and on the terms and conditions under which financing may be obtained throughout the credit system.

Changes in the cost and availability of credit have an effect on private spending decisions and therefore on the total level of demand, and this in turn has an influence on the rate of growth of output, the level of employment and the behaviour of prices. Changes in the total level of demand naturally affect the level of spending on imports as well as the level of spending on domestically-produced goods and services. It is also the case that changes in credit conditions have an influence on decisions to borrow or invest funds outside Canada. Indeed, at times in the past quite small changes in market yields in Canada relative to those in other countries, particularly in the United States, have induced funds to flow into or out of Canada. In some situations, changes in the relative availability of credit in Canada and the United States may be as important as changes in interest rates. On balance, in a relatively open economy such as ours, action to ease credit conditions tends to draw in goods and services from abroad but to reduce inflows of capital; movements of credit conditions in the opposite direction have, of course, the opposite effect. This means, of course, that the central bank must always take into account the effect of its operations on the country's external financial position as well as on the level of aggregate demand.

This brings me to the second main point on which I wish to comment, namely, limitations on the use of monetary policy. I have indicated that there are practical limits to how far we can permit credit conditions in Canada to diverge from those in the United States and other countries without setting in motion massive and destabilizing inflows or outflows of capital. There are also practical limits of a purely domestic nature on how far we can let credit conditions tighten. For one thing, tight credit conditions have an uneven incidence on different classes of borrowers and on different parts of Canada whose economic problems are not identical. Within the different classes of borrowers, large corporate borrowers appear, on the whole, to feel the direct impact of credit restraint less and later than small borrowers: large corporations normally have substantial liquid resources which they can draw on and they have more ready access to the capital market if bank borrowing becomes difficult. Some categories of borrowers find it easier than others to draw funds from foreign countries through the use of foreign capital markets or from foreign parent companies. There are differences in the responses of different sectors of the economy to changed credit conditions. You will be aware, for example, that housing expenditures are particularly likely to be affected when money is difficult to raise. In addition to these inequalities, excessive reliance on monetary policy could result in the development of financial conditions so extreme as to involve a real risk of impairing the functioning of the financial system and impeding the flow of funds for productive purposes through capital

and credit markets. The central bank must always be conscious of these practical limitations.

A different kind of limitation, one that applies to all economic policies because they have their impact on the economy only with a considerable time lag, is the difficulty of forecasting economic developments accurately. I do not wish to take up the time of the Committee on this matter and I will simply observe that a striking illustration of this problem is that the full strength of the current economic expansion in North America could not have been foreseen without also anticipating the development of the war in Viet Nam.

The third and final point I wish to make in regard to the use of monetary policy is that the operations of the central bank are only one element in public economic policy as a whole. As I have explained, monetary policy affects the level of economic activity through its influence on the total level of demand; so do decisions regarding the level of government spending, the level and structure of taxes and the form of government financing. Monetary policy can have important effects on our balance of payments and external financial position; so can the Government's transactions, spending commitments, and tax and tariff arrangements insofar as they affect trade and capital flows with other countries. And then there is an entirely different range of policies affecting the performance of the economy, such as those concerned with raising productivity, improving labour mobility and protecting the public interest against the abuses of market power. Because this is so, monetary policy must be regarded as only one element in a whole mix of policies which have to be combined in a purposeful way if the over-all performance of our economy is to meet the varied and exacting criteria imposed by contemporary society. Monetary policy must bear its full share of the load but if it attempts too much it will run into some or all of the limitations that I have mentioned.

I should like to devote the remainder of my remarks to a brief description of the monetary policy followed by the Bank of Canada since 1961 and the main considerations on which it was based.

As I mentioned earlier, the current economic expansion got underway in early 1961 in conditions of high unemployment and underutilization of plant capacity. In these circumstances, the basic policy of the Bank of Canada was to permit enough expansion of the banking system to enable the growth in economic activity to be financed without any appreciable tightening of credit conditions. With the major but temporary exception of the period of the exchange crisis of 1962, this basic policy did not undergo any significant change until the spring of 1965, by which time the growth of the economy was rapidly bringing us back close to the full utilization of the country's effective productive capacity. The relatively stable credit conditions which prevailed after the exchange crisis are indicated by the yields on Government securities. The 91-day treasury bill rate remained below 4 per cent and the average of yields on long-term Government bonds moved within a range of about 5-5½ per cent. In 1964 the Bank of Canada managed the cash reserves of the chartered banks in such a way that a part of the resources needed by the banks to accommodate the large increase in their loans had to be obtained through a reduction in their holdings of Government securities and other liquid assets. This reduction in bank liquidity was not such as to prevent the banks from continuing to follow strong lending policies but it brought them to a position where their lending

policies could be expected to be sensitive to any appreciable further decline in the proportion of their total assets which they held in relatively liquid form.

There were occasions during this period—1961 to the spring of 1965—when the course of events posed a serious threat, for a time, to the soundness of our external financial position, and the Bank of Canada felt it necessary to respond to these dangers. The most serious of these threats was the exchange crisis of mid-1962; here the response was to tighten credit conditions very sharply during the summer months of that year as a part of a programme to deal with the situation. You will recall that the Bank Rate was raised to 6 per cent and market rates of interest rose sharply. By early autumn our external finances had improved to the point where credit policy could be eased substantially and in a matter of months interest rates were back down to about the same levels as had prevailed before the exchange crisis arose. From 1963 on, other problems affecting our external financial position arose as a result of measures taken by the United States to deal with her balance of payments difficulties, the most serious being the announcement of the interest equalization tax in July 1963. In these cases, however, the danger to our foreign exchange position was averted by adjustments of the American measures without any marked shift in the general posture of Canadian monetary policy becoming necessary.

In my annual reports for 1963 and 1964 I drew attention to the fact that the Canadian economy's margin of unused resources was rapidly being taken up and that as we approached the limits of our effective capacity it would become more difficult to achieve as rapid rates of real growth with as moderate rates of price increase as in the past. The report of 1963, dated February 29, 1964, includes the following statement:

"The success of the Canadian economy in achieving sustained and balanced growth in the years ahead and in continuing to reduce its current account deficit will depend to an important measure on its response in terms of prices and costs, to further increases in demand. The existence of large amounts of unused resources has undoubtedly contributed to the relative stability of costs and prices during the past three years of economic expansion. Some of the aggregative measures of economic slack, for example the number of persons recorded by the Labour Force Survey as being without jobs and seeking work, suggest that there is still substantial slack in the economy, but ... the geographical distribution of unemployment is very uneven, and it is known that the availability on the labour market of many types of skills which are in demand is limited and patchy. Surplus plant capacity also seems to be quite unevenly distributed industrially and geographically. The special characteristics as well as the aggregate amount of the slack in the economy must of course be taken into account in the continued efforts of the public authorities to follow policies which will facilitate the absorption of slack without generating price increases and a deterioration in our balance of payments."

And a year later, at the beginning of 1965, I made a somewhat similar observation:

"The margin of unused capacity in the Canadian economy has been considerably reduced as a result of the expansion of the last few years. In

certain major industries there is for practical purposes no unused capacity, and in some geographical areas shortages of certain types of labour skill have appeared. It seems clear that the absorption of the remaining amounts of unused resources in the economy will be more difficult, and that we shall have to rely to an increasing extent on improving the adaptability of our growing resources in order to avoid serious bottleneck problems and price pressures. Even in 1964, when we were absorbing slack in the economy and when unemployment averaged 4.7 per cent of the labour force, the Consumer Price Index in Canada rose by nearly 2 per cent. While it is true that this increase was a relatively modest one by current international standards, it underlines the need to do everything we can to improve the performance of the Canadian economy in the years ahead."

The concern that I expressed on these occasions about bottleneck problems and the uneven geographical distribution of unused capacity reflects in part the fact that the central bank is itself powerless to deal with these particular difficulties because monetary policy can be directed only at the aggregate level of demand in the country as a whole.

The general posture of monetary policy through most of 1965 and in 1966 has been quite different from what it was in the earlier years of the economic expansion. In recognition of the fact that most of the existing slack in the economy had been taken up, the pressure of heavy demands for funds on financial markets was increasingly allowed, under the policy followed by the central bank, to have an effect on credit conditions. The chartered banks found it necessary to adopt more selective lending policies and the difficulty of obtaining accommodation from other types of lending institutions, notably those specializing in mortgage finance, increased markedly as the result of the intensified competition for funds. Interest rates rose. The Bank of Canada raised its Bank Rate from $4\frac{1}{4}$ per cent to $4\frac{3}{4}$ per cent in December 1965 and to $5\frac{1}{4}$ per cent in March 1966. The average yield on 91-day treasury bills is now about 5 per cent compared to about $3\frac{3}{4}$ per cent in the spring of 1965. Other short-term rates are much higher, in many cases well over 6 per cent. The average rate on long-term Government bonds is about $5\frac{3}{4}$ per cent as against 5 per cent in the spring of 1965. For a time this August, under the influence of strongly rising interest rates in the United States, yields on some of the major long-term Government issues went above 6 per cent. Yields on prime conventional mortgages have risen from $6\frac{3}{4}$ per cent in early 1965 to $7\frac{3}{4}$ -8 per cent and yields in excess of 8 per cent are not uncommon. Credit conditions in Canada have, of course, also been influenced by broadly similar developments in the United States and Europe.

Today's credit conditions have not been brought about by calling a halt to the expansion of the banking system. On the contrary, bank loans and the money supply have continued to rise, though at a lower rate than earlier in the expansion. In the past twelve months general bank loans have increased by 8 per cent. Within this category business loans have increased by $7\frac{1}{2}$ per cent and consumer loans by 11 per cent but in recent months the banks' consumer loans have levelled off as has the over-all total of all forms of consumer credit.

INTEREST RATES

	Sept. 1961	Sept. 1963	Sept. 1964	Sept. 1965	Sept. 1966
	%	%	%	%	%
Bank Rate	2.67	4.00	4.00	4.25	5.25
3-month rates — Treasury bills	2.42	3.68	3.80	4.12	5.02
— prime finance co. paper	3.02	4.09	4.25	5.16	6.33
Long-term rates — Govt. bond average ..	4.98	5.22	5.22	5.30	5.79
— Non-Govt. bonds					
(McLeod, Young, Weir)	5.47	5.54	5.56	5.85	6.71
— conventional mortgages	7.00	7.00	6.75— 7.00	7.25	7.75— 8.00

CHARTERED BANKS
(Average of Wednesdays)

					Annual Average Percentage Increase		
					Sept/61	Sept/64	Sept/65
	Sept. 1961	Sept. 1964	Sept. 1965	Sept. 1966 (prelim.)	to Sept/66	to Sept/66	to Sept/66
(millions of dollars)							
Currency and chartered bank deposits							
Total (inc Govt. deposits	14,432	17,432	19,477	20,687	7.5	9.2	6.2
Held by general public	14,259	16,762	18,913	20,213	7.2	9.8	6.9
Chartered banks							
Total assets	13,356	16,053	18,025	19,122	7.4	9.1	6.1
Liquidity ratio ...	37.1	32.1	30.2	29.9			
Canadian dollar loans							
Total	6,418	8,831	10,555	11,420	12.2	13.7	8.2
General	5,539	8,095	9,407	10,150	12.9	12.0	7.9
Business	3,560*	4,880*	5,572*	5,997*	11.0	10.9	7.6
Consumer	995*	1,715*	2,126*	2,357*	18.8	17.2	10.9

*Month-end August.

In 1965 and 1966 monetary policy has had to take account of a number of special developments, primarily the collapse of Atlantic Acceptance and the effect of United States balance-of-payments measures. In the case of the shock to confidence resulting from the finance company failure, the Bank of Canada added to the cash reserves of the chartered banks in order to ease the liquidity of the banking system and financial markets generally. The Bank also enlisted the help of the chartered banks in seeking to avert wider repercussions on the

position of other financial institutions. However, these actions did not stop the trend towards less easy credit conditions. On the contrary, the effect of the episode on confidence produced a marked tightening in some areas of the financial market and a further upward movement in interest rates.

Throughout the whole period of the economic expansion it has been necessary for monetary policy to be concerned with the need to obtain a large enough inflow of capital to finance our deficits on current account and at the same time to try to avoid a larger inflow than necessary. This problem has been complicated by a number of measures taken by the United States to improve its balance of payments position, including "guidelines", and by arrangements regarding the level of Canada's foreign exchange reserves which were necessary in order to maintain the access of Canadian borrowers to the United States long-term new issue market. I do not think that the Committee would wish me to go into the details of these matters at this time. They are in any case set out in my last annual report. The main point I would like to make here is that though the Bank of Canada naturally had to take into account the agreements regarding reserves, this consideration did not in fact seriously interfere with the development of our monetary policy. During 1966 purchases of securities from U.S. residents by the Government have made it possible for the agreement regarding reserves to be met without placing too many constraints on the use of monetary policy.

This concludes my account of how monetary policy has developed over the whole of the economic expansion. As I have indicated, the recent credit situation, with its unusually high interest rates, has been part of a world-wide condition. There is now a widespread view, which I share, that in the western industrial countries monetary policy has had to carry too much of the burden of resisting inflationary pressures.

The general course of prices is the result of all the forces of demand and supply that operate throughout the economy. Monetary policy and certain other broad instruments of policy have an influence on the aggregate demand for goods and services and it is necessary that these instruments be deployed in a way that encourages demand to expand in line with, but not in excess of, the productive capacity of the economy. Today I have been discussing with you only the particular instrument, monetary policy, for which I have some responsibility, and I shall be glad to answer any questions that members of the Committee may have in this area. There are, of course, as I have indicated, other important public policies which influence the demand side of the picture. In addition, the movement of prices is influenced by a whole host of public and private policies, including those affecting our productivity and efficiency, the skill and training and mobility of our labour force, the relationship between incomes and productivity, the degree of competition in the economy, tariff and trade policies and many others that go far beyond the scope of central bank action.

It is clear that, like other countries, we in Canada have a great deal to learn about living with prosperity without permitting it to degenerate into inflation. This problem must be solved, because reasonable price stability is an essential element in continuing economic growth. We must search for more effective measures and better combinations of policies to reconcile the goals of reasonable price stability and sustained economic growth. I am sure that your deliberations will make a contribution in this direction.

APPENDIX E

SUMMARY BALANCE SHEETS OF SELECTED FINANCIAL INSTITUTIONS

CHARTERED BANKS

	Dec. 1960	Dec. 1965	Increase from 1960 to 1965		Percentage Distribution As at Dec. 1965
	\$mm	\$mm	\$mm	per cent	
<i>Canadian Assets†</i>					
Cash—Bank of Canada Deposits and Notes.....	992	1,417	425	42.8	7.4
Government of Canada Securities and Other Liquid Assets.....	3,435	4,077	642	18.7	21.4
Loans, Mortgages and Non-Govern- ment Securities.....	8,373	13,076	4,703	56.2	68.7
Other Assets.....	321	452	131	40.8	2.4
Total.....	13,121	19,022	5,901	45.0	100.0
<i>Canadian Liabilities</i>					
Public Demand Deposits (less float)..<	3,417	4,615	1,198	35.1	24.3
Personal Savings Deposits.....	7,215	9,725	2,510	34.8	51.1
Other Deposits.....	1,405	3,383	1,978	140.8	17.8
Other Liabilities.....	81	63	- 18	- 22.2	0.3
Shareholders' Equity.....	1,004	1,235	231	23.0	6.5
Total.....	13,121	19,022	5,901	45.0	100.0

† Includes net foreign assets.

SOURCE: Department of Finance, Bank of Canada.

QUEBEC SAVINGS BANKS

	Dec. 1960	Dec. 1965	Increase from 1960 to 1965		Percentage Distribution As at Dec. 1965
	\$mm	\$mm	\$mm	percent	
<i>Assets</i>					
Cash—Bank of Canada Notes, and Deposits at the Bank of Canada and Chartered Banks.....	26	28	2	7.7	6.5
Securities.....	191	148	- 43	- 22.5	34.4
Loans and Mortgages.....	75	230	155	206.7	53.5
Other Assets.....	19	24	5	26.3	5.6
Total.....	311	430	119	38.3	100.0
<i>Liabilities</i>					
Deposits.....	295	408	113	38.3	94.9
Other Liabilities.....	3	3	—	—	0.7
Shareholders' Equity.....	14	19	5	35.7	4.4
Total.....	311	430	119	38.3	100.0

SOURCE: Department of Finance, Bank of Canada.

TRUST COMPANIES⁽¹⁾

	Dec. 1960	Dec. 1965	Increase from 1960 to 1965		Percentage Distribution As at Dec. 1965
	\$mm	\$mm	\$mm	per cent	
<i>Assets</i>					
Cash on hand and on deposit.....	41	98	57	139.0	2.9
Securities and collateral loans.....	737	1,321	584	79.2	38.6
Mortgages.....	468	1,912	1,444	308.5	55.9
Other Assets.....	28	91	63	225.0	2.6
Total.....	1,274	3,422	2,148	168.6	100.0
<i>Liabilities</i>					
Demand deposits.....	403	1,119	716	177.7	32.7
Term deposits and certificates.....	729	1,973	1,244	170.6	57.7
Bank loans and short-term notes.....	9	56	47	522.2	1.6
Other Liabilities.....	2	4	2	100.0	0.1
Shareholders equity ⁽²⁾	131	272	141	107.6	7.9
Total.....	1,274	3,422	2,148	168.6	100.0

(1) Excluding funds in Estate Trust and Agency accounts.

(2) Includes a small net amount of accruals and payables.

SOURCE: Dominion Bureau of Statistics: Business Financial Statistics.

MORTGAGE LOAN COMPANIES

	Dec. 1960	Dec. 1965	Increase from 1960 to 1965		Percentage Distribution As at Dec. 1965
	\$mm	\$mm	\$mm	per cent	
<i>Assets</i>					
Cash on hand and on deposit.....	16	54	38	237.5	2.2
Securities and collateral loans.....	172	280	108	62.8	11.6
Mortgages.....	715	1,817	1,102	154.1	75.2
Other Assets.....	42	266	224	533.3	11.0
Total.....	945	2,417	1,472	155.8	100.0
<i>Liabilities</i>					
Demand deposits.....	135	366	231	171.1	15.1
Term deposits and debentures.....	590	1,085	495	83.9	44.9
Bank loans and short-term notes.....	2	185	183	825.0	7.7
Other Liabilities.....	75	486	411	548.0	20.1
Shareholders' equity ⁽¹⁾	143	295	152	106.3	12.2
Total.....	945	2,417	1,472	155.8	100.0

(1) Includes a small net amount of accruals and payables.

SOURCE: Dominion Bureau of Statistics: Business Financial Statistics.

CREDIT UNIONS AND CAISSES POPULAIRES
(Local Societies)

	Dec. 1960	Dec. 1965	Increase from 1960 to 1965		Percentage Distribution As at Dec. 1965
	\$mm	\$mm	\$mm	per cent	
<i>Assets</i>					
Cash on hand and on deposit.....	168	283	115	68.5	11.1
Loans.....	433	987	554	127.9	38.8
Mortgages.....	390	695	305	78.2	27.4
Investments.....	281	486	205	73.0	19.1
Other Assets.....	43	90	47	109.3	3.6
Total.....	1,314	2,542	1,228	93.5	100.0
<i>Liabilities</i>					
Shares.....	484	979	495	102.3	38.5
Deposits.....	724	1,296	572	79.0	51.0
Other Liabilities.....	37	107	70	189.2	4.2
Surplus Funds.....	69	160	91	131.8	6.3
Total.....	1,314	2,542	1,228	93.5	100.0

SOURCE: Department of Agriculture.

ALBERTA TREASURY BRANCHES

	March 1960	March 1965	Increase from 1960 to 1965		Percentage Distribution As at March 1965
	\$mm	\$mm	\$mm	per cent	
<i>Assets</i>					
Cash on hand and on deposit.....	10	20	10	100.0	15.5
Loans and Advances.....	31	61	30	96.8	47.3
Investments.....	18	43	25	138.9	33.3
Other Assets.....	5	5	—	—	3.9
Total.....	64	129	65	101.6	100.0
<i>Liabilities</i>					
Public Deposits.....	51	108	57	111.8	83.7
Other Liabilities.....	13	21	8	61.5	16.3
Total.....	64	129	65	101.6	100.6

SOURCE: Province of Alberta, Public Accounts.

PROVINCE OF ONTARIO SAVINGS OFFICE

	March 1960	March 1965	Increase from 1960 to 1965		Percentage Distribution As at March 1965
	\$mm	\$mm	\$mm	per cent	
<i>Assets</i>					
Cash on hand and on deposit.....	1	1	—	—	1.1
Funds advanced to the Province.....	73	80	7	10.3	98.9
Total Assets.....	74	81	7	9.7	100.0
<i>Liabilities</i>					
Public Deposits.....	74	81	7	9.7	100.0

SOURCE: Province of Ontario, Public Accounts.

THE POST OFFICE SAVINGS BANK

	March 1960	March 1965	Increase from 1960 to 1965		Percentage Distribution As at March 1965
	\$mm	\$mm	\$mm	per cent	
Deposits.....	29	23	— 6	—20.7	

SOURCE: Public Accounts of Canada.

OFFICIAL REPORT OF MINUTES
OF
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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS
First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE
ON

FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 20

TUESDAY, NOVEMBER 1, 1966

Respecting

Bill C-190, An Act to amend the Bank of Canada Act.

Bill C-222, An Act respecting Banks and Banking.

Bill C-223, An Act respecting Savings Banks in the Province of Quebec.

WITNESS:

Louis Rasminsky, Governor of the Bank of Canada.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Addison,	Comtois,	Langlois (<i>Mégantic</i>),
Basford,	Davis,	Leboe,
Cameron (<i>Nanaimo-</i>	Flemming,	Lind,
<i>Cowichan-The Islands</i>),	Fulton,	McLean (<i>Charlotte</i>),
Cashin,	Gilbert,	Monteith,
Chrétien,	Irvine,	More (<i>Regina City</i>),
Clermont,	Lambert,	Munro,
Coates,	Lamontagne,	Valade—(25).

Dorothy F. Ballantine,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, November 1, 1966.
(33)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.10 a.m. this day, the Chairman, Mr. Gray, presiding.

Members present: Messrs. Addison, Cameron (*Nanaimo-Cowichan-The Islands*), Chrétien, Clermont, Flemming, Fulton, Gilbert, Gray, Irvine, Laflamme, Leboe, Lind, McLean, Munro (14).

Also present: Messrs. Grégoire, Johnston, Macaluso, and Thompson.

In attendance: Mr. Louis Rasminsky, Governor of the Bank of Canada; Mr. J. R. Beattie, Deputy Governor; Mr. L. Hebert, Deputy Governor; Mr. G. K. Bouey, Advisor; Mr. R. Johnstone, Deputy Chief, Research Department, all of the Bank of Canada; and Mr. C. F. Elderkin, Inspector General of Banks.

The Committee resumed consideration of Bill C-190, An Act to amend the Bank of Canada Act.

Mr. Rasminsky was questioned.

The questioning continuing, at 12.50 p.m. the Committee adjourned until 3.45 p.m. this day.

AFTERNOON SITTING (34)

The Committee resumed at 3.50 p.m., the Vice-Chairman, Mr. Laflamme, presiding.

Members present: Messrs. Addison, Cameron (*Nanaimo-Cowichan-The Islands*), Clermont, Comtois, Flemming, Fulton, Gilbert, Laflamme, Leboe, Lind, McLean, Valade (12).

Also present: Messrs. Grégoire, Johnston and Thompson.

In attendance: The same as at the morning sitting.

The Committee continued the questioning of the witness and at 5.45 p.m. adjourned until 8.00 p.m. this day.

EVENING SITTING (35)

The Committee resumed at 8.05 p.m. this day, the Chairman, Mr. Gray, presided.

Members present: Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Clermont, Comtois, Flemming, Gilbert, Gray, Irvine, Laflamme, Leboe, Lind, McLean, More (12).

In attendance: The same as at the morning sitting.

Questioning of the witness was continued.

At 9.55 p.m. the Committee adjourned until Thursday, November 3, 1966, at 11.00 a.m.

Dorothy F. Ballantine,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic apparatus)

TUESDAY, November 1, 1966.

The CHAIRMAN: Gentlemen, I think we will begin our meeting, and it will be for the prime purpose of evidence.

Last night, when we adjourned, Mr. McLean had the floor, but to move along expeditiously I will ask Mr. Gilbert, who is next on the list, to begin. When Mr. McLean joins us later on, he can take up where he left off.

Mr. GILBERT: Mr. Chairman, Mr. Rasminsky said, in substance, last night that the difference between the banks and the near-banks was a difference in degree rather than kind.

I was just wondering if you would follow that, and give me your attitude with regard to bringing the near-banks under general banking legislation, and placing them in the same position as the chartered banks vis-a-vis the Bank of Canada?

Mr. Louis RASMINSKY (*Governor of the Bank of Canada*): Mr. Gilbert, there are various aspects of that question on which I do not feel particularly qualified to comment, and I am sure you would not expect me to comment on them. There are some constitutional aspects, for example. Some of the non-bank financial institutions, as they prefer to be called rather than near banks, are incorporated under provincial legislation, and the question of bringing them under federal jurisdiction raises important political and constitutional questions, which are outside of my sphere.

The aspect of the question on which you would expect me to comment, I think, is the question of whether the existence of a class of institution which engages in business very similar to the business of banking, represents a hindrance to the conduct of monetary policy, whether it is an interference with the processes of monetary control. This is a very important question, and it is one to which we devoted a good deal of thought in the preparation of our submissions to the Royal Commission, and with which we dealt at some length in those submissions.

I do not intend, in reply to this question, to go over the entire statement that we made there, but I might refer you to the principal place where we dealt with this question and then make one or two general comments.

The principal place where we dealt with this question in our submissions is on page 17 of the submissions in a series of paragraphs headed; *The Effect of Bank of Canada Operations on "Near Banks."*

The CHAIRMAN: Mr. Rasminsky, may I suggest that you quote some of these paragraphs? Although each member of the Committee has the Porter report, this does not include the submissions. Perhaps I might suggest that your associates make some inquiry to see if additional copies of your submissions to the Porter Commission can be made available to members.

Mr. RASMINSKY: There is no problem there. We will certainly circulate them.

The CHAIRMAN: At this point, it might help if you did quote from the relevant paragraphs.

Mr. GRÉGOIRE: Mr. Chairman, instead of having the page number could we have the paragraph number?

Mr. RASMINSKY: Yes; it is paragraph 41, in the chapter entitled "The Role of Monetary Policy."

Let me quote a few sentences from paragraph 41.

Assuming that no change occurs in the relative attractiveness of chartered bank deposits as compared with closely competing liquid assets such as demand or time deposits, short-term paper, certificates, etc., issued by "near banks", there is no reason to suppose that the public could be induced to add to its holdings of chartered bank deposits without adding to its holdings of these other types of liquid assets as well . . .

Here I interpolate the statement that we are describing what happens during a process of credit expansion when the central bank is trying to encourage an expansion of credit. The submission then goes on:

At any stage in the process of expansion described in paragraph 39 some of the sellers of securities may prefer to acquire a deposit with, or a short-term note or certificate of, one of the "near banks" . . .

I see that we so describe them in this submission, though in inverted commas.

. . . rather than a chartered bank deposit. Even in the initial transaction with the Bank of Canada the seller of the \$8 million in securities might deposit the proceeds in a "near bank", say, a trust company. This would not, of course, put an end to or interfere with the process of multiple expansion of chartered bank assets and liabilities outlined above since the trust company would deposit the Bank of Canada cheque for \$8 million with a chartered bank. The trust company would have added both to its deposit liabilities to the public and to its cash reserves, but since it too is a chartered bank depositor the chartered banks as a group would have experienced the same increase in their cash reserves. If "near banks" are successful in attracting funds from the public and finding profitable opportunities for acquiring the kinds of assets they specialize in they too will gain cash reserves and participate in the process of expansion as well as the chartered banks. To the extent that an expansion of total chartered bank assets and liabilities consequent upon an increase in cash reserves is accompanied by an expansion of those of "near banks", the degree to which credit conditions ease will be greater than would otherwise have been the case.

I think that is as much as I am going to quote from the submission.

The essential point is that the impulse, whether it is towards expansion or contraction, which is generated by central bank action, gets spread throughout

all financial institutions as a result of the competition among financial institutions for deposits, or their competition in the making of loans. It is the case that since the central bank is interested in, and its policy determinations are guided by, its view as to appropriate credit conditions, this impulse of expansion, since it does get spread throughout, represents, in a certain sense, a reinforcement of monetary policy, rather than a diminution in the effectiveness of monetary policy.

I am not particularly conscious at the present time that the existence of near banks has prevented us from pursuing a credit policy which has produced a type of credit conditions which we consider to be appropriate in all the circumstances.

Therefore, the short summary of the answer I have given to your question is that, on the side of monetary policy, though the initial impulse is transmitted through the chartered banking system, that provides a sufficiently broad base to assure the central bank that it can exercise the desired control—the desired influence—over credit conditions.

Mr. GILBERT: Is there any objection to the near-banks using the chequing facilities of the central bank?

Mr. RASMINSKY: The clearing facilities are not run by the central bank. The clearing system is run by the Canadian Bankers Association, and the Bank of Canada is one of the participants in the clearing.

Mr. GILBERT: Mr. Rasminsky, the figures which you submitted last night indicate the tremendous growth of the near-banks. If the near-banks continue to grow, what happens within 10 years' time? Their growth has been quite remarkable, according to these figures. Suppose that really continues to accelerate. Does that put them in a stronger position than the chartered banks. Will it put them in a stronger position?

Mr. RASMINSKY: Well if the near-banks—

Mr. GILBERT: What control would you have over them?

Mr. RASMINSKY: —continue to grow more rapidly than the chartered banks, they will, of course, become relatively larger than the chartered banks.

If what you have in mind is: Is it theoretically possible that the relative size of the banking system in the whole financial structure would decline, to a point which did constitute a real hindrance to the process of monetary control, I suppose one would have to say that that is a theoretical possibility. However, I think if one is thinking of the next ten years, or, really, as far ahead as it is possible to look—and I mention ten years only because it is the period of the next decennial revision of the Bank Act—I would consider that that is only a theoretical possibility. As a practical matter I do not think that that is at all likely to happen.

Mr. GILBERT: Mr. Rasminsky, there are differing effects of the monetary policy on the different sectors of the economy. For example, the Porter Commission reported that the monetary policy affects residential housing and small businesses much more so than it does large corporations. What comments would you have on that? How can this be corrected?

Mr. RASMINSKY: I would agree that one of the disadvantages of monetary policy is that even though it is impersonal and pervasive in its effects, the

different industries and different sections are affected in a different way by monetary policy. Therefore, it can be said, in actual face, to have certain discriminatory effects.

I would certainly not feel that this constitutes a reason for not having a monetary policy. You must have some monetary policy. I think that this does constitute a reason for not pushing monetary policy to excessive extremes.

So far as some of the differential effects are concerned, monetary policy, of course, is only one aspect of public economic policy, and what one would seek to have in every situation is a combination of public policies which achieves the basic objectives that you are after, while avoiding extreme reactions in one direction or another.

Government, of course, has open to it alternative policies of a more specific sort for either reinforcing or offsetting the effects of monetary policy. On the reinforcing side, if I may quote one example of that type, I would have thought that the action of the government at the time of the last budget in imposing the refundable tax on the cash flow of corporations and impounding their liquidity for a certain period of time was in a sense a reinforcement of monetary policy. On the offsetting side, the action which is open for the government to take—and which the government has taken, to some extent, in the field of housing—is in a certain sense, an attempt to protect that industry and the users of houses from the severe impact of monetary policy. Housing is indeed one of the industries where the impact of monetary policy is particularly severe.

The effect on businesses of various size may be a real one. I think it is the case that large corporations tend on the whole to be better able to finance out of their own internally-generated funds their expansion plans, and are less dependent on bank credit than smaller businesses are. In recognition of that fact, in any discussions which the central bank has had with chartered banks during periods when the banks have been forced, under the monetary policies being followed, to pursue a selective policy in the granting of new credit, we have drawn this fact to their attention and suggested to them that so far as possible smaller businesses should be shielded from the impact of monetary policy because they, in a certain sense, have nowhere else to go. Larger businesses can go to the capital market.

Another example of attempts at offsetting actions would lie in the field of regional developments, where governments, either federal or provincial, would take special steps to see that finance is available in areas of the country which are not suffering from extreme pressure on their resources.

The CHAIRMAN: I presume, therefore, Mr. Rasminsky, that you would not agree with the comments of certain provincial advisers, which I have seen, who suggest that the federal government can carry out its role in regulating the national economy solely through using monetary policy.

Mr. RASMINSKY: If any such comments have been made, I certainly disagree with them most profoundly.

The CHAIRMAN: I saw a newspaper report in the *Windsor Daily Star* recently referring to what I took to be comments of that nature, made by one of the advisers to the Ontario provincial government.

Mr. RASMINSKY: I did not see it; but if he said it, I do not agree with it.

The CHAIRMAN: If I may, I would like to ask you something at this point before passing on to the next person on my list.

I understand that the Bank maintains a system of informal consultation with the chartered banks on matters of mutual interest and concern.

Mr. RASMINSKY: Yes, sir, we do.

The CHAIRMAN: Do you maintain any similar consultation with any of the near banks?

Mr. RASMINSKY: Yes; we have regular meetings with the representatives of the Trust Companies Association of Canada. We maintain quite frequent contact with the central organizations of the caisses populaires and the credit unions. We have had occasion, during the last couple of years particularly, to see a fair amount of representatives of finance companies; so that our contacts in this financial field are not limited to banking institutions.

The CHAIRMAN: I understand that there are a number of the newer trust companies which are not members of the Trust Companies' Association. Do you have any line of contact with them?

Mr. RASMINSKY: We are very glad to see them when they come to see us, and on occasion they do, Mr. Chairman. But we do not have any formal contact.

The CHAIRMAN: What about entities such as the Alberta Treasury Branches, or the Ontario Savings system? I am not using the right name but you know to which one I am referring.

Mr. RASMINSKY: Yes. During the past few years, so far as I am concerned, I have had no special contact with these organizations. We do, of course, follow their affairs; we watch what is happening to them; but we have not had informal contacts with them of the type that I think you are referring to.

The CHAIRMAN: With respect to the groups with whom you do have contact, have you found them any less amenable to suggestions than the chartered banks?

Mr. RASMINSKY: No. Our relations with the Trust and Loan Companies Association, and with the Federated Council, of Sales Finance Companies have been very good, and they have been very helpful indeed in acceding to requests that the bank has made of them from time to time in the matter of information. That is the only type of request we have ever made. But they have acceded very gracefully to those requests.

The CHAIRMAN: Your comment, sir, that it is unlikely in the next ten years that the growth of the near banks would reach such a stage as to threaten your ability to influence monetary policy through the chartered banks would imply, I take it, that the chartered banks have not too much to fear from the development of the near banking group.

Mr. RASMINSKY: I suggest you put that question to the chartered banks. The trust and loan companies and the other deposit receiving institutions are formidable competitors and the chartered banks will have to meet the competition if they are to retain their share of the business. I think that some of the provisions in the proposed legislation will remove some of the inhibitions and some of the restrictions that the chartered banks have been under in competing with other financial institutions.

The CHAIRMAN: I do not want to place any interpretation on your words that I am perhaps not entitled to do, but it occurred to me that if it is only theoretical—and I think that is the word you used—that your ability to control monetary policy through the chartered banks would be seriously hampered within at least the next ten years, then it must follow that the chartered banks themselves are likely to maintain their dominant position in the financial system within that ten year period. Is that a fair assessment?

Mr. RASMINSKY: Yes. I would not quarrel with that way of putting it, Mr. Chairman.

The CHAIRMAN: Now, there are just one or two other things before passing on to the next witness.

If I may refer to the summary of the balance sheets and so on. I note the last page refers to the Alberta Treasury branches, and the Province of Ontario Savings Office, for example, and the total assets of these two entities as of March 1960 would indicate, if my addition is not too faulty, about \$134 million, and they operate in two key provinces. Would it not be useful for you to maintain some type of consultation with their directors in the same way you do with the other forms of near banks?

Mr. RASMINSKY: It is something that I would like to think about. I think it may well be worth considering. The deposits in the Province of Ontario Savings Bank, of course, as I understand it, become part of the general funds of the province. They do not do any investing or hold any particular liquid assets and, as you see, the province is liable for their obligations and they maintain very low cash reserves.

The CHAIRMAN: Yes. Perhaps I should have drawn a distinction.

Mr. RASMINSKY: Really, the main thing to know about the Province of Ontario Savings banks is that there is such an institution, and what its deposits are. That we do know. The province of Alberta Treasury branches do a more varied business on the assets side. We follow it fairly closely. From the published returns we know pretty well what they are doing. The amounts involved, though appreciable, are really not relatively very significant in the total banking system.

For example, if one takes the deposits of all the institutions that I have included in that table, the province of Alberta Treasury branches in 1965 accounted for one-half of one per cent of the total of deposits. However, the Bank is certainly always glad to see people engaged in the financial business or others, and particularly those engaged in the financial business.

The CHAIRMAN: Your door is open.

Mr. RASMINSKY: Yes, our door is open.

The CHAIRMAN: I think we should proceed. I think I should correct myself. I said that when we adjourned last night Mr. McLean had the floor and my list indicated Mr. Gilbert and Mr. Laflamme. I should have said that between Mr. Gilbert and Mr. Laflamme there came Mr. Leboe. Now I have also just added to the list Mr. Lind. I think, in all fairness to Mr. McLean, that we should ask him if he has completed his questioning, because when we adjourned I did indicate that I would give him an opportunity to complete his questioning when we began. I

recognized Mr. Gilbert merely to use our time expeditiously. I might indicate that from about 11.15 the meeting was of an official status and that will be recorded in our records.

You have further questions at this point arising out of what you were saying?

Mr. McLEAN (*Charlotte*): Not right now.

The CHAIRMAN: Thank you. I think I should recognize Mr. Leboe.

Mr. LEBOE: Thank you, Mr. Chairman. I might state, Mr. Chairman, that I have prepared a list of questions which I hope can be answered quite briefly so as not to take up too much time of the Committee, and also to indicate that the Minister of Finance has repeatedly expressed concern over inflationary pressures, and the questions that I intend to put at this particular moment have to do with inflationary pressures and the matter of inflation generally. I think it is topical, and since the Bank of Canada, I believe, has an influence in this field I would like to put some questions to Mr. Rasminsky on the subject.

Is it correct to say that the country is going through a period of inflation at the present time, or is on the verge of inflation?

Mr. RASMINSKY: Inflation, Mr. Leboe, is really a term of art; it is not a very precise term, and you would get different definitions of that term. I would say that the country is in a period when the degree of upward pressure on the cost of living, on our prices and on our costs, is such as to give rise to concern.

Mr. LEBOE: You have actually answered my next question, what constitutes inflation, because the gradual increase in prices or the devaluation of the purchasing power of the dollar has been with us since I can remember. The term is very loosely used by people in the country depending on what argument they are trying to produce. I was wondering whether, in your position as the Governor of the Bank of Canada, you have something which you consider to be an interpretation of the word "inflation" as you use it, at any time that you might be using it?

Mr. RASMINSKY: I prefer not to use the term because it is so imprecise, but I would feel that a situation in which the aggregate of the demand pressures—that is, the money demand pressures on the economy—have proceeded to a point where there is very little slack left in the economy and in which those demand pressures are increasing at a rate which is in excess of the capacity of the economy to produce, to add to its production of goods and services at relatively stable prices—I would consider that a situation of inflation.

Mr. LEBOE: Thank you. My next question is, in your opinion, is inflation the cause of or the result of excessive prices for goods?

Mr. RASMINSKY: In my definition—it is the definition of "excessive"; the statement is tautological—excessive increases in the prices of goods are a manifestation of inflation.

Mr. LEBOE: In other words, what you are saying is that that is the manifestation of the disease but the cause of the disease could be one, two or many factors in the economy?

Mr. RASMINSKY: That is right.

Mr. LEBOE: My next questions are very closely related and there may be some overlapping but, to get continuity, I am trying to clear up this point. Is inflation caused only by an increase in the cost of goods available for sale or must it also be accompanied by an excessive purchasing power or supply of money over and above the price of goods available for sale—in other words, the money supply? What is the effect of the money supply? It seems there are two main factors: prices going up by demands made by the general public—I mean wages and salaries, and also the demand by the public for certain kinds of packaging and all the rest of it—they are dealing with this in another committee—and also the money supply? I am thinking about the relationship between the two, in your opinion, because you have control, as it were, of the money supply.

Mr. RASMINSKY: It seems to me, Mr. Leboe, that the relationship that is significant in this connection is not the relationship between the money supply and anything else but it is the relationship between the amount of spending and the amount of goods and services that are being produced. There are various factors that influence the amount of spending and, so far as the monetary side of the thing is concerned, it is our working view in the bank that the significant factor on the monetary side—and I stress that the monetary side is only one of the factors which has an influence—is the cost and availability in general terms of credit in the economy that induce people either to spend or not to spend. On that side of it, it is the aggregate amount of spending which is important.

On the other side, the supply of goods and services which becomes available is dependent on a wide variety of things, including the technical efficiency, the skill, the mobility of the labour force and the whole gamut of factors which have a bearing on our ability to produce goods and services.

Mr. LEBOE: Thank you very much, Mr. Rasminsky. I agree that it is a broad base. I indicated that when I posed the question.

Does an increase in the cost of living necessarily mean inflationary conditions? This was partly answered by the previous question. If not, under what conditions would an increase in the cost of living constitute inflation? I think this is rather difficult to pin down but I think it is important that we get the views of the Governor of the Bank of Canada in this regard since the Governor does play such a part in our economy and financial and monetary policy.

Mr. RASMINSKY: There are various ways of measuring the development of prices in the economy. One of them is the movement in the cost of living index. I would not be prepared to say that any upward movement in the cost of living index is indicative of inflation. I think that there are certain structural features in the way the cost of living index is composed that lead me to that conclusion. The cost of living index is pretty heavily weighted with services, for example, and I believe it is generally thought that the productivity in the service industries does not increase as rapidly as productivity in the goods producing industries. So, even under relatively stable conditions you may find a tendency for the price of services to rise in relation to the price of goods and this would cause an upward drift in the cost of living index.

It may be that the index does not adequately take into account, although I know that an attempt is made to do this, improvements in the quality of goods or services. If you pay more for a hospital room now, for example, than you did ten years ago, it may well be the case that with the hospital room now you get ancillary services of a diagnostic or other sort that really make the room a better

room and make it necessary for you to stay in the room a fewer number of days than you did ten years ago. I am not sure that that can be adequately taken into account. It may be that some upward drift in that index should be accepted as compatible with relatively stable monetary conditions and relatively stable price conditions.

Various people have tried to put a figure on the acceptable upward drift that could be regarded as compatible with monetary stability. The Economic Council, for example, in its first report, put forward the view, as I understand it, that we should be prepared to accept a 2 per cent increase each year in the general price factor in the economy. I do not particularly endorse that view or repudiate it; I think that any increase has to be looked on with grave suspicion. But it may be the case that an increase of some sort in the cost of living index is something that need not cause concern. In the last year or so, of course, the increase that we have had in the cost of living index has gone far beyond the 2 per cent figure.

One of my colleagues tells me that I was wrong, which does not surprise me, and that the Council figure was 1.4 per cent and not 2 per cent.

MR. LEBOE: My next question follows along the same line. As I said, there is an overlapping here in order to get continuity but I hope you will bear with me. You have answered the first part of this question; can inflation be caused by the expansion of the money supply of the country and, if so, what type of expansion and how great an expansion of the money supply of the country will cause inflation?

I think in answering this question I would like to have you relate it also to the part that is played by government in selling bonds—in other words, taking the money out of circulation through savings and through investment—and also through the Bank of Canada's agreed action, as pointed out in the *Ottawa Citizen's* advertisement I have here in front of me, to acquire a minimum of \$50 million of new bonds, open as to maturity—and also whether these bonds are bought directly from the government or on the open market, through investment dealers?

MR. RASMINSKY: On your first question, Mr. Leboe, can an excessive increase in the money supply cause inflation, the answer to the question is certainly yes, that it can. As I have already indicated in the way we look at it in the Bank, we do not put, in our thinking, the primary stress on the money supply.

The money supply is a term of art which is capable of many different definitions. For example, in the United States when people refer to the money supply they mean the total of currency in circulation and demand deposits. When we, here, refer to the money supply we normally refer to the total of notes in circulation and all chartered bank deposits. There is the difference between the total money supply and the money supply in the hands of the public, and even going further than that—and this is harking back to our discussion of last night—the difference between chartered bank deposits which are included in the money supply and deposits in trust companies which are not included in the money supply, or between those things and guaranteed investment certificates of trust companies, or those things and a treasury bill issued by the government of Canada, or a piece of short-term commercial paper.

There is a very smooth gradation in the degree of liquidity which pertains to these various instruments, so that the concept of the money supply—and I,

myself, naturally watch these magnitudes—is one which I, myself, do not regard as the essential operational concept in the conduct of monetary policy.

Moving to the second part of your question, it is undoubtedly the case that the actions of government on the fiscal side in government's expenditure programs and in its tax policies have a great bearing on the aggregate of demand in the economy, and the actions of government with regard to debt management which you have referred to and which I will come to in a moment, have a great bearing on the level of credit conditions because the debt management transactions affect the liquidity of the economy. What is required—I am afraid I am going beyond the question, but allow me to add this sentence—is a consistent and purposeful integration of fiscal and debt management policy on the one hand and monetary policy on the other.

Going to your final specific question on the undertaking of the Bank of Canada to buy \$50 million, open as to maturity, of a certain issue, the Bank of Canada holds a large portfolio of Government of Canada securities. It is our mass of manoeuvre; it is the medium through which we operate. These securities mature with distressing frequency and they have to be either paid off or refunded—more frequently refunded. At the time of each maturity of a Government of Canada security, the Bank of Canada will be in possession of some of the maturing issue and, for the greater part, our subscriptions at the time of a maturing issue will consist in replacing our holdings of the maturing issue with some of the newly-offered issues. There are occasions when we add to our holdings of a new issue—that is, we buy more than the amount of the maturing issue.

I am afraid I do not recognize from your quotation the particular transaction involved. It is probably irrelevant to your question, anyway.

Mr. LEBOE: The Bank of Canada does buy these directly from the government or through an investment dealer or agency?

Mr. RASMINSKY: No, sir; we buy them directly from the government.

Mr. LEBOE: Related to this—and this comes to a portion of the Bank Act where we are going to be able to see that banks take first mortgages on capital assets, I believe—do you anticipate some difficulty in connection with the small operator who is used to using section 88 of the Bank Act in the sum total available funds for borrowing in Canada? By this I mean that if some of the loans are channelled on the basis of fixed assets, it could mean to me that many of the larger corporations could avail themselves of bank credit in this regard with a certain amount of limitations being put on the smaller operators who carry inventories under section 88. Do you anticipate any problem there for the smaller borrowers who consistently use section 88?

Mr. RASMINSKY: Through the diversion of funds to capital purposes? No, I do not think so, Mr. Leboe. There is, as you know, in the proposed section on mortgage lending, a quantitative limit to what the banks can do. The aggregate ability of all financial institutions to act as intermediaries—banks and others—will, of course, be subject to the influences exerted by the central bank, and this amendment may give rise to some change in channels; but I would not foresee any fundamental difficulty of the type to which you refer.

Mr. LEBOE: I have one short question before I go on to inflation.

The CHAIRMAN: Mr. Leboe, I have been suggesting to members of the Committee that in their line of questioning they try to keep roughly to about 20 minutes or so. I do not cut you off but I would like to have some indication—

Mr. LEBOE: That is all right, Mr. Chairman. I realize that what I have here is possibly going to take another round, and I am quite prepared to yield to someone else. I have a question which could be answered yes or no.—

The CHAIRMAN: I must interject again. Perhaps the members of the committee would prefer to allow you to complete your whole series of questioning.

My reason for raising this is to give everyone a reasonable opportunity to question the witness.

Mr. LEBOE: I think you are right. I appreciate your position.

This other question, I think, can be answered three ways, "Yes", "No", or "I would not care to answer".

Mr. RASMINSKY: There is a fourth possible answer, Mr. Leboe—"I do not know".

Mr. LEBOE: No, I think perhaps you know. At the present time, I believe the Bank of Canada holds some 15 to 17 per cent of the national debt. Do you foresee, over a period of years, the time when the Bank of Canada could usefully own all of the national debt.

Mr. RASMINSKY: No, sir.

Mr. LEBOE: I thought we could get a short answer.

The CHAIRMAN: Mr. Leboe, unless there is a consensus to permit you to complete your questioning now, I would recognize Mr. Laflamme.

(Translation)

I would now give the floor to our colleague Mr. Laflamme. I am very happy to see our vice-chairman here, to find that he is well again and ready to help me out in my work.

Mr. LAFLAMME: Mr. Rasminsky, I would just like to know if you have any figures on the total volume of loans made by the banks for the year 1965, and the loans made by near-banks and other financial institutions for the same period?

Mr. RASMINSKY: You would like actual figures rather than percentage rates of increase for the year 1965, would you?

Mr. LAFLAMME: I would be glad to have the first—the proportion of loans made by the banks in 1965, and the percentage of loans made by near-banks, or other financial institutions, for the same period.

The CHAIRMAN: If the information is not readily available perhaps you could pass on to your next question and one of Mr. Rasminsky's colleagues could extract it more easily.

Mr. RASMINSKY: Mr. Laflamme, the figures you ask for can be obtained, but I have in front of me figures which will show the percentage increase in the total assets of the various classes of institutions. These would include investments in mortgages and other types of assets as well as loans. Would those figures suit your purpose?

Mr. LAFLAMME: Yes.

Mr. RASMINSKY: In 1965, the total assets of the chartered banks increased by 11.8 per cent. The total assets of the Quebec Savings Banks increased by 6.7 per cent. The total assets of trust companies increased by 19.7 per cent. The total assets of mortgage loan companies increased by 24.8 per cent. The total assets of the Caisse Populaire and Credit Unions increased by 14.9 per cent.

Mr. LAFLAMME: Just for clarification this is the 1965 increase over 1964?

Mr. RASMINSKY: 1965 over 1964; that is right.

(English)

Mr. FULTON: What was the second figure?

Mr. RASMINSKY: The second figure for the Quebec Savings Bank was 6.7 per cent. It is December 1965 over December 1964.

(Translation)

Mr. CLERMONT: Mr. Rasminsky has the sheet before him. You have given us the amount of expenditures, but could we have it in round figures?

Mr. RASMINSKY: Yes, certainly, if you will allow me to give the committee a small table. But I will be able to give you all this information, in absolute figures, in dollars.

The CHAIRMAN: You can go on, Mr. Laflamme.

Mr. LAFLAMME: Do you think, or is it your view, that a primary objective, or responsibility, of the Bank of Canada is to control rates?

Mr. RASMINSKY: Yes, sir.

Mr. LAFLAMME: With that in view, do you really think that the Bank of Canada is in a position to control credit when there is so much money loaned by other institutions beyond the control of the Bank of Canada?

Mr. RASMINSKY: These other institutions, Mr. Laflamme, though they are not part of the central reserve system like the charter banks, are very much influenced by the monetary policies of the Bank of Canada.

If the Bank of Canada wishes to initiate a new departure in monetary policy to make credit conditions easier, or to make them tighter, the effects of this initiative are by no means confined to the chartered banks. The institutions compete with each other for deposits, they compete with each other for loans, and the initiative is spread throughout the entire system.

If, for example, the policy is designed to make credit conditions tighter and we contract—actually very seldom, or practically never, do we contract the cash reserves but we permit them to grow more slowly—the cash reserves of the commercial banking system, and the demands for credit are such that this induces a rise in interest rates in the system, then, that cannot be confined to those institutions. In order to retain their share of deposits the competing institutions—the trust and loan companies and the others we have mentioned—are forced to raise their interest rates, too, and to charge more for their loans. The Bank is not concerned, and does not need to be concerned, with the relative share of the different classes of institutions in the total of credit-granting and deposit-receiving. It is concerned with the over-all availability and cost of credit, and its actions affect other financial institutions in this respect as well as banks.

Mr. LAFLAMME: Last night, Mr. Rasminsky, in answer to a question asked by Mr. Grégoire, you made the following statement: In fact, however, the total Canadian assets and deposit liabilities of the chartered banks have grown by only about 80 per cent over the past decade as compared with increases of the order of 300 per cent and more in the assets and liabilities of trust companies, mortgage and loan companies, caisse populaire and credit unions. Do you really think, if such an increase occurs in the next decade, in the same proportion, that the Bank of Canada will still have control of credit, which is one of its main responsibilities?

Mr. RASMINSKY: I would have to figure out what the relative shares would be, on the assumption that you have made, Mr. Laflamme. If one takes the position at the end of 1965, in spite of the fact that the chartered banks over the past decade or more have grown more slowly than the other institutions, the chartered banks accounted for 73 per cent of the total of deposits in the institutions of the type to which we are referring. Therefore, the chartered banks still are by far the largest element in the total financial picture, although they have grown more slowly than the other institutions.

There remains the question whether the assumption that you have made, that these relative growth rates will be continued, is in fact a reasonable assumption. Under the existing legislation there are various ways in which the banks have been inhibited in competing with non-bank financial institutions. I do not need to mention those in detail, though I would be glad to do so if you wish me to. One of the features of the proposed legislation is that these limitations and inhibitions on the ability of the banks to compete will be eliminated, or substantially reduced, so that the relative competitive position of the banks will, as a result, be improved. This, I think, would make it unlikely that the hypothesis that you have taken is a realistic one, and it may also have the effect, with these inhibitions and limitations removed, of leading some non-bank financial institutions, or some new groups, to decide to apply for charters under the Bank Act and to operate as banks.

Mr. LAFLAMME: Thank you, Mr. Rasminsky.

Mr. LIND: Following along, Mr. Chairman, the same line of questioning, Mr. Rasminsky has just said that the banks—I assume he is referring to the eight chartered banks in Canada—control 73 per cent of the deposits. Is that right?

Mr. RASMINSKY: That is right, sir.

Mr. LIND: How much of the total assets would the eight chartered banks control in comparison with the trust and loan companies and the treasury departments and the credit unions? I assume it is the same.

Mr. RASMINSKY: 73 per cent.

Mr. LIND: Judging from past records on this, and what has happened, you also would admit, probably, that indirectly the eight chartered banks control a pretty good percentage of the assets of some of the near-banks. What percentage would that represent?

Mr. RASMINSKY: I do not know, Mr. Lind.

Mr. LIND: Could that be broken down? You know the ones that they control indirectly—the independent trust companies and the ones that are connected pretty closely with banks.

Mr. RASMINSKY: Yes.

Mr. LIND: Could that figure be obtained in dollars rather than in percentages? I will name the near-banks. There is the National Trust, Montreal Trust, Royal Trust, Canada Permanent; and you know the ones that are controlled indirectly by certain banking institutions.

Mr. RASMINSKY: I have no information on that, sir.

Mr. LIND: Then there is an independent group of what we call near banks, an independent group of trust companies which probably are represented by Canada Trust as perhaps the largest.

The CHAIRMAN: I think, Mr. Lind, that while your question is in order, and this information is important to the committee, we should first determine whether Mr. Rasminsky is either required to maintain it in his organization or has some personal knowledge of it?

Mr. RASMINSKY: No.

The CHAIRMAN: If these two factors do not apply, I suggest we reserve that question for the Canadian Bankers Association on the individual banks when they appear before us in a few days, or presumably a few days.

Mr. LIND: With all due respect to you, Mr. Chairman, all I am trying to do is to weigh my reasons for finding this out. The reason I would like to find this is to know what ratio we can put to the percentage of increase by the independent trust companies versus the percentage increase of the associated ones, shall we say, or ones that are indirectly controlled by banks, and to break down the percentage of the trust companies and their percentage of increase.

I think that in order to follow this schedule we have before us we should realize that certain trust companies are indirectly controlled by the banks. Is that not a logical conclusion?

Mr. RASMINSKY: I understand that it is the case that certain banks have interests in certain trust companies; but it is a matter, Mr. Lind, in which the Bank of Canada has no status, on which we have no information.

Mr. LIND: Unless they are federally incorporated; is that it?

Mr. RASMINSKY: Even if they are federally incorporated they are not required to report to us.

The CHAIRMAN: I believe they report to the Superintendent of Insurance.

Mr. RASMINSKY: Yes, the Superintendent of Insurance.

Mr. LIND: Then the near banks have no effect on our monetary system, or the control of the amount of money?

Mr. RASMINSKY: The near banks are a very important part of our financial system, Mr. Lind, and the policies which are followed by the central bank do have an indirect effect on the activities of all financial institutions, including the so-called near-banks.

Mr. FULTON: Mr. Chairman, may I ask a question for information. I apologize, I missed a day's hearings.

Has Mr. Rasminsky given a definition of a near-bank? I think it is a matter of terminology, and is quite important.

Mr. RASMINSKY: I made quite a long statement on the difference between banks and the so-called near-banks or non-bank financial institutions last night, Mr. Fulton, I would be glad to give you a copy of it.

Mr. ADDISON: May I just ask a supplementary on Mr. Lind's question?

When Mr. Elderkin was appearing as a witness did we not agree that we would have a list of all companies owned by the banks, of which they would have to divest themselves by 1971?

The CHAIRMAN: I think that point was raised, and I suggested that this be noted by the representatives of the banks and the bankers association who are in the audience following our deliberations, so that they would be prepared to answer this, together with Mr. Elderkin, when they appear before us in what I take will be a few days.

Mr. ADDISON: That list would give Mr. Lind his information, I believe.

The CHAIRMAN: I want to make clear to Mr. Lind and the Committee that I feel that what he is asking for is a useful and important piece of information, but I just wish to make sure that we do not ask the Governor something which neither he nor his organization has a statutory obligation to keep track of.

Mr. RASMINSKY: In order to make sure that there is no appearance of inconsistency between the answer which I have just given to Mr. Lind and what I said before about the fact that the trust companies supply us with some information, I may say that the information which is supplied to us by the trust companies relates to the main asset and liability items on their balance sheets, and is given to us for the trust companies as a group rather than information relating to individual companies.

Mr. LIND: I just have one final question, Mr. Chairman.

When we raise these questions, we realize that the banks control 73 percent of the deposits in Canada, versus all other types of institutions having 27 percent? Is that correct?

Mr. RASMINSKY: That is what the figures were at the end of 1965, yes.

Mr. LIND: Can you break that down in dollars for us some time?

Mr. RASMINSKY: Yes, surely. The total of deposits of the institutions to which I have referred, which are the chartered banks; trust companies; mortgage loan companies; credit unions and caisses populaires; government savings institutions and Quebec savings banks, using the term "deposits" in its broadest sense of liabilities to the public in various forms, at the end of 1965 was \$24,086 million, of which the amount on deposit with chartered banks was \$17,613 million.

Mr. LIND: Could you go on down?

Mr. RASMINSKY: Surely; trust companies, \$3,092 million; mortgage loan companies, \$1,451 million; credit unions and caisses populaires, \$1,296 million; Quebec savings banks, \$408 million; government savings institutions. . .

Mr. FULTON: That is the treasury branch and that sort of thing?

Mr. RASMINSKY: Government savings institutions? There are three categories or three institutions, included. There is the Post Office Savings Bank,

Province of Ontario Savings Office and the Alberta Treasury Branches. The total for government savings institutions was \$226 million.

I can give you the percentage of each, if that is of any help.

Mr. CLERMONT: Mr. Chairman, what would be the share of the post office savings bank?

Mr. RASMINSKY: The post office savings bank is only \$23 million. It is 0.1 per cent of the total deposits.

The CHAIRMAN: Mr. Lind, do you have another question?

Mr. LIND: No; that is all that I would like to ask just now, Mr. Chairman.

The CHAIRMAN: The next names I have on my list are those of Mr. Clermont and Mr. Flemming, but they have already indicated to me that they would like to reserve their questions for this afternoon's session. Therefore, I will now recognize Mr. Thompson, but before I do so I would ask any person who has not had an opportunity to ask questions yet to let me know whether they are interested, so that we can deal with them before proceeding to our second round.

Mr. THOMPSON: Mr. Chairman, I had anticipated this afternoon as well, because I thought you had a list longer than you have just announced.

The CHAIRMAN: It was longer, actually. Ordinarily I would have called on Mr. Clermont and then Mr. Flemming, but they have told me that they would like to ask their questions this afternoon. If they have changed their minds...

Mr. FULTON: I have a question, Mr. Chairman. I asked Mr. Rasminsky a little while ago about a definition of "near banks" and he referred me to his statement given yesterday. Do you mean the opening statement?

Mr. RASMINSKY: No; there was another statement which will be distributed, but perhaps I could summarize.

Does that statement that you have in your hands . . . ?

Mr. FULTON: I have not seen this one before.

Mr. RASMINSKY: Perhaps you would like to look at it first.

(Translation)

Mr. CLERMONT: Could Mr. Rasminsky distribute to other members of the Committee his report on the difference between banks and near-banks and also his reply to Mr. Grégoire.

Mr. RASMINSKY: I would be happy to. Unfortunately I only have it in English, it is just a set of notes.

The CHAIRMAN: We cannot ask for the personal notes of Mr. Rasminsky but I have no objection to the reply being given.

Mr. CLERMONT: If they are personal notes they still have to appear in the report of the Committee.

The CHAIRMAN: I entirely agree with you. It is difficult to distinguish between two distinguished members.

The Hon. H. J. FLEMMING: Mr. Chairman, if you wish...

(English)

The CHAIRMAN: I think we should...

Mr. FLEMMING: I could ask some questions if it is more convenient for you and for the Committee. On the other hand, I did wish to do a little preparing . . .

The CHAIRMAN: Yes.

Mr. FLEMMING: I have some information I wish to get from Mr. Rasminsky that would require me to . . .

The CHAIRMAN: Yes. I did want to proceed in an orderly way, and I think we should afford to the various members of the Committee the chance to defer their questioning if it does not disturb the orderly progress of the Committee.

Perhaps the best thing to do would be return to Mr. Leboe, because I know he has his list of questions all prepared. Then this afternoon we will proceed in this order; Mr. Clermont, Mr. Flemming, Mr. Thompson.

Would you prefer to begin asking your questions before we adjourn, Mr. Fulton, or wait until this afternoon?

Mr. FULTON: I would prefer to wait.

The CHAIRMAN: I think Mr. Leboe . . .

Mr. GRÉGOIRE: Mr. Chairman, I think that Mr. Rasminsky had a summary of the difference between "banks" and "near banks", or a definition of both terms. I think he mentioned that he had a summary of it. I think it would be good to hear it.

Mr. RASMINSKY: I was referring, Mr. Grégoire, to the paper which I used in replying to your question last night, with the tables attached.

The CHAIRMAN: I think the most orderly way to proceed, then, would be to invite Mr. Leboe to continue his series of questions.

Mr. LEBOE: Thank you, Mr. Chairman. We are back on inflation again.

My next question, Mr. Rasminsky, is: Can excessive government spending cause inflation?

For instance, can a government social service program involving old age pensions, medicare and so on cause inflation, in the sense that you gave me your answer that you considered inflation relating to the 2 per cent, or whatever you might think of the natural increase?

Mr. RASMINSKY: If you had stopped the question before giving the examples I would have found it easier to reply because I do not wish to appear to be commenting on any particular government program.

Mr. LEBOE: We will leave the programs out, then.

Mr. RASMINSKY: If the question is: Can excessive government spending cause inflation, the answer is Yes. A great deal will depend, of course, on how the spending is financed, but I take it that you mean, by "excessive", spending on a degree that is not covered by increases in taxes? If the question is in that form then the answer is Yes, it can.

Mr. LEBOE: To carry it a little further, because I think this is important in your thinking and our thinking, take, for instance, a provincial government which is expanding very, very rapidly on imported capital from outside . . .

Mr. RASMINSKY: Imported capital?

Mr. LEBOE: Yes; what effect would that have on the total inflationary pressures? Is it accountable to any degree?

Mr. RASMINSKY: Mr. Leboe, I think it is very difficult to distinguish between one type of spending and another type of spending as regards their impact on inflationary pressures. One can distinguish, perhaps, in this way, that if one finds certain categories of spending expanding particularly rapidly during an inflationary period then one might put the finger on those particular types of spending and say that they are having a pronounced inflationary effect.

On the capital borrowing abroad side, we run, in this country, a large current account deficit which creates certain problems which various people have discussed from time to time, including myself in most of my annual reports. From the point of view of inflation, the net import of goods and services which is involved in the existence of a current account deficit is a plus factor. It provides additional goods and services as a result of spending which is done, not in the country, but outside the country, and to finance the current account deficit, capital inflow is necessary. Looked at in that way, any expenditure which is financed by capital inflow, including provincial expenditure, at a time of inflationary pressure, is helping to enable us to pay for a current account deficit.

Of course, all the spending associated with these expenditures, or any expenditures, would not be abroad. Some of it would be domestic spending, as well.

Mr. FULTON: That would also have its effect on price levels in Canada.

Mr. RASMINSKY: Yes, indeed.

Mr. LEBOE: The reason I asked the question was because it has actually been said on a number of occasions that one of the bad boys in the inflationary pressure situation is British Columbia because of the expansion and growth of that province in connection with hydro and other developments such as the forest industry, which are taking place. I was wondering whether you, as the Governor of the Bank of Canada, felt that this was a wholly responsible statement. I do not want you to put your answer in those words.

Mr. RASMINSKY: No; as the Governor of the Bank of Canada, I would certainly not say that British Columbia was a bad boy.

Mr. LEBOE: At first I did not mention any province in particular because of that, but due to your answer it seems only fair that I should mention something specific so you would know what I was getting at; because in British Columbia we have been accused of causing a great deal of unrest as far as inflation is concerned. Do you think it is a factor of any account?

Mr. RASMINSKY: Do I think it is a factor?

Mr. LEBOE: Is it of any account? To any degree is it representative?

Mr. RASMINSKY: I do not know, Mr. Leboe, that I really can comment on any particular situation.

I think it is the case that the degree of economic expansion in British Columbia has been a very notable feature of the past few years and has resulted in a rate of development, or a rate of increase in demand, in British Columbia, which is at least on a par with the rest of the country.

Mr. THOMPSON: Mr. Chairman, might I ask a supplementary question?

The CHAIRMAN: If I thought Mr. Leboe would yield to you.

Mr. LEBOE: Yes.

Mr. THOMPSON: I do not have the figures for the third quarter, but the figures for the first half of the year indicate that governmental borrowing in the United States at different levels, is up a great deal over what it was last year. This actually is an increase in the monetary supply within our economy.

Does this foreign borrowing have on the inflationary pressures an influence which is of significant importance, or not? You have no control over this type of borrowing?

Mr. RASMINSKY: No, we do not.

Mr. THOMPSON: But it is new money coming into the country, is it not?

Mr. RASMINSKY: In fact, sir, new money has not come into the country in that sense, because our reserves have not gone up. What has come into the country has been goods and services, financed in part by the borrowing to which you refer.

If the question is: Has foreign borrowing by Canadians in the last few years been an independent cause of inflationary pressure in Canada, I would have to answer that question in the negative.

On the other hand, I think it is the case that the degree of foreign borrowing has been symptomatic of the general pressures to advance along various lines, including large provincial expenditures and large domestic corporation expenditures, which we have had in the country in the past few years. I think that the borrowing abroad is, in a sense, a manifestation of the pressures on the economy rather than a cause.

Mr. THOMPSON: I was referring specifically to governmental borrowing at the different levels.

Mr. RASMINSKY: My answer would apply to governmental borrowing.

Mr. LEBOE: Resuming my questions, but leaving the inflation questions, Mr. Rasminsky, I want to deal more directly with government and the central bank.

Has the Bank of Canada ever financed any operations of the Canadian government? You answered a question before by saying that they had, but my question is: If so, when and how and to what extent? Have you any tables on this? I do not expect you to produce them now, but do you have any tables which you could supply?

Mr. RASMINSKY: I take it, Mr. Leboe, that what you have in mind is direct financing—

Mr. LEBOE: That is right.

Mr. RASMINSKY: —by the Bank of Canada of the government. I wish I could answer the question directly. No, but there have in the past been some occasions on which the Bank of Canada has made temporary “ways and means advances,” as they are called, to the government of Canada.

These were listed in a reply which was made to a question asked in parliament by Mr. Paul. The reply is to be found in Hansard of February 17, 1965, page 11421. The list is too long to read. The date of the most recent advance is November 1961. The complete reply is to be found in Hansard on the page I indicated.

Mr. LEBOE: I did not expect that you would want to give the details at the moment.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): May I ask a supplementary question?

Mr. LEBOE: Yes, certainly.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would it be true to say, Mr. Rasminsky, that, in effect, the central bank finances, at least temporarily, the government of Canada every time it purchases treasury bills or government paper of any sort?

Mr. RASMINSKY: When the Bank of Canada adds to its holdings of government securities I suppose that one could say that the central bank is providing finance to the government of Canada. Apart from these very temporary ways and means finances, when that has happened, Mr. Cameron, that has not been the object of the exercise. That has not been the reason . . .

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): But it has been the effect.

Mr. RASMINSKY: —Why the transaction has been undertaken. It has been undertaken for reasons related either to monetary policy or to the state of the capital market. In the ordinary course of events when this has been done, the Bank of Canada has sought an opportunity to undo the transaction by selling off any excess securities which it has bought in this way to the market.

The Bank of Canada's transactions in government securities are not regarded by the Bank of Canada, nor, I believe, by the government, primarily as a source of finance to the government of Canada.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): But the effect is of temporarily financing the government of Canada?

Mr. RASMINSKY: When it happens, that is the situation, yes.

Mr. LEBOE: I have another question related to a question which Mr. Lind asked. It deals with the control of the banking institutions of trust companies. It is not the same question, but it is related to that question.

Would you feel that, since this control does exist, it would affect the bank's policy in trying to receive deposits in its bank, if, on the other hand, a subsidiary institution was benefiting from those results, taking into account that there are certain independent trust companies and loan companies, as well? It seems to me that it would. I was wondering how you, as the Governor, would feel about the drive that would be put on by the banks to get some of these deposits because they do get a higher rate of interest in a near bank than in a bank itself, do they not?

Mr. RASMINSKY: Mr. Leboe, I am very sorry, but I have not understood your question. Would you be good enough to put it again?

Mr. LEBOE: It seems to me that if I were a banker looking after a bank and I also had a subsidiary company which was interested in the same thing that I was, if it was more profitable for me to have money put into deposits in the other institution—I am thinking now of the board of directors of these institutions of which the other one is a subsidiary—it seems to me it would affect the bank's policy in going out after deposits.

Mr. RASMINSKY: You are referring now to the chartered banks?

Mr. LEBOE: Yes.

Mr. RASMINSKY: This is a question which I really do not feel qualified to answer. It concerns the relationship between chartered banks and trust companies in which they may have a share interest. I have the impression that the competition for deposits is really quite keen as between these various classes of financial institutions, including competition between banks and trust companies with which they have some special relationship.

Mr. LEBOE: I thought that you might have that feeling, but I was wondering if there was any bit of doubt, because the present changes in the Bank Act anticipate a release, as far as the banks are concerned, in some interest rates that they may charge under certain conditions.

I was wondering whether there was some doubt in your mind at all as to whether or not there could be. . .

Mr. RASMINSKY: The proposals under the Bank Act also anticipate, as I understand them, a divesting, on the part of the chartered banks, of share ownership in trust companies or other institutions in which they have more than a certain percentage of the share capital and also provisions regarding interlocking directors, on the other side of. . .

Mr. LEBOE: I suspected that, but the only thing I was wondering about was if there was any doubt in your mind in connection with the two at the present time?

The CHAIRMAN: I think this would be a convenient time to adjourn.

Before doing so, I would remind the committee that we have agreed to meet again this afternoon at 3.45. At that time I will ask my colleague, our Vice-Chairman, Mr. Laflamme, to take the chair.

I wonder if at this point we are in a position to say whether we want to meet this evening? I understand the Governor will be available. Mr. Rasminsky will be with us tomorrow. Perhaps I should ask him.

We are going to decide later today whether we are going to meet on Wednesday. We have planned a meeting for Thursday morning. I am not sure whether the Governor will be available after 1 o'clock on Thursday.

Mr. RASMINSKY: I could be available until about 4 or 4.30 on Thursday.

The CHAIRMAN: In that case, perhaps we will agree now that we will attempt to avoid meeting tomorrow. There is an urgent reason why I think we should come to that decision. I would like to call a meeting of the steering committee tomorrow.

Mr. GRÉGOIRE: Mr. Chairman, Mr. Rasminsky will be able to come back after his trip to Europe.

The CHAIRMAN: Yes, certainly; but I think it would be useful for us to have as much of our discussion as possible involving Mr. Rasminsky's responsibilities before we begin hearing from the members of the public who wish to submit briefs and make comments. This would assist us, I think, and them as well, to have his point of view before us in as wide a range as possible.

I will send notices. I think we should have at least a brief meeting of the steering committee tomorrow, because we should assess our schedule now that the closing date for briefs has arrived.

We will adjourn until 3.45 this afternoon.

AFTERNOON SITTING

The VICE-CHAIRMAN (*Mr. Laflamme*): Gentlemen, I think I see a quorum.

We will resume our evidence. Mr. Leboe has been good enough to relinquish his place to another one on the list. I will ask Mr. Clermont who is the first on the list to question our witness, Mr. Rasminsky.

(*Translation*)

Mr. CLERMONT: Mr. Rasminsky, yesterday evening you made certain remarks concerning various operations of banks and financial institutions generally. You told this Committee that the assets and deposit liabilities of the banks over the last ten years has increased by 83 per cent. You added that during the same period the corresponding increase for near banks had increased 300 per cent. If things go on in this way, do you not think that the control, the monetary control through the Bank of Canada would no longer be as efficient?

Mr. RASMINSKY: Yes. This morning I began by saying that it appeared to me rather doubtful that these respective rates of increase will continue along the same lines, because—

(*English*)

Mr. CLERMONT: Mr. Chairman, I appreciate the fact that Mr. Rasminsky speaks in French but I would have no objection to his speaking in English.

Mr. RASMINSKY: It sounds to me as though you prefer that I speak in English.

Mr. CLERMONT: I think it is my privilege to ask the question in French and is your privilege to reply to it in English, if you wish.

Mr. RASMINSKY: Thank you very much, Mr. Clermont. I will take advantage of that.

(*English*)

Mr. Clermont, in his question, referred to a matter which had been discussed this morning. He pointed out that in the table which we have supplied showing the summary balance sheets of selected financial institutions we had indicated that the Canadian assets and liabilities of the chartered banks over the past five years—well, perhaps, he was referring to a statement in the opening statement, which perhaps covered a different period.

Over the past 10 years they have grown by 80 per cent and the non-bank financial institutions have grown in the neighbourhood of 300 per cent. He asked whether I did not think that if this continued on this scale, it would jeopardize the control the central bank has over the financial situation. I can only repeat the general reply that I gave this morning which essentially is to reply in two parts: first of all, I believe that the relative rates of increase over the past ten years of these two different classes of financial institutions were affected by some special considerations, including some inhibitions or limitations on the capacity of the chartered banks to compete, resulting from certain provisions in the Bank Act.

The proposed amendments to the Bank Act will remove some or all of these limitations so that in the light of that I would consider that it was an unlikely hypothesis that the respective rates of increase over the next ten years would be what they have been over the past ten years. In these circumstances, and, also,

having regard to the fact that even after the greater growth rates of the non-bank financial institutions over the past ten years or more, it still remains the case that the chartered banks account for about three quarters of the total financial system—meaning by that the institutions which accept deposits. Having regard to these facts, Mr. Clermont, I am not concerned. I do not think it is a realistic possibility that in the near future the central bank will not have a large enough base to work on in its efforts to implement its monetary policy.

(Translation)

Mr. CLERMONT: Without giving away the secrets of the trade, would you tell me what is the influence of the Bank of Canada on the bond market. I believe it is the responsibility of the Bank of Canada to organize the sale of savings bonds every year.

(English)

Mr. RASMINSKY: The Bank of Canada acts as fiscal agent for the government of Canada and generally conducts the operations connected with the administration of the public debt of Canada. These operations consist of various things. A frequent operation which is conducted each week is the invitation which we issue on behalf of the government of Canada for tenders for the weekly auction of treasury bills. There are also obligations connected with the refunding of maturing securities of the government of Canada, or the issue of new securities.

One of the annual duties which we perform on behalf of the government of Canada is to organize and supervise the issuance of Canada Savings Bonds, which, I may add, go on sale today and which I heartily recommend. Double your money.—In our operations in connection with the Canada Savings Bonds, we are, of course, acting in our capacity as fiscal agent for the government of Canada and not as a principal.

(Translation)

Mr. CLERMONT: In Section 5 of Bill C-190, it is suggested that there be a Board composed of the Governor, the Deputy Governor and two directors appointed by the Board. Does it mean that the additional director will be chosen by the present Governor, Deputy Governor and member?

Mr. RASMINSKY: The member of the—

(English)

The member of the executive committee which you refer to is selected by the board of directors.

Mr. CLERMONT: The board of directors?

Mr. RASMINSKY: Yes, sir.

(Translation)

Mr. CLERMONT: Are the decisions or actions of that Board decided by a majority vote? In case of a tie: who has the casting vote?

(English)

Mr. RASMINSKY: Well, in my experience the selection of the executive director has been made not by majority vote but by unanimous vote.

(Translation)

Mr. CLERMONT: I believe I did not express myself very clearly. I meant the decisions of the Board as established. Are decisions to be taken by the majority of the committee of four?

(English)

Mr. RASMINSKY: Mr. Clermont, in actual practice decisions are taken by consensus. If there were an occasion to have a vote, which there has not been in my experience, I suppose, no doubt the decision would be taken by majority vote, subject to the right of the Governor to veto the decision, under the provision which you refer to in the Bank of Canada Act.

(Translation)

Mr. CLERMONT: Before you could not have two against two we had odd numbers, now we have even numbers.

(English)

Mr. RASMINSKY: Under the provisions of the act—if I may draw your attention to Section 8, subsection (1) of the present act:

“The Governor of the Bank of Canada is the chief executive officer of the Bank and on behalf of the Board has the direction and control of the business of the Bank with authority to act in connection with the conduct of the business of the Bank in all matters that are not by this Act or by the by-laws of the Bank specifically reserved to be done by the Board or by the Executive Committee.”

(Translation)

Mr. CLERMONT: In 1966 I would like to know if banks have a more selective practice of credit and if so in which direction?

(English)

Mr. RASMINSKY: In 1966 the position was that in the economic circumstances of the time and under the general monetary policies which were being followed, the banks were not able to meet all the demands for credit which they were receiving from their customers and, not being able to meet them all, they had to apply selective lending policies.

As to your question of the nature of the selection of the policies, what policies the banks followed, that is a question which I think would be more appropriately put to the banks themselves. In discussions we have had with the banks we have referred to the desirability of maintaining the flow of loans as much as they could to small businesses. We have referred to the desirability of being selective in the sense of not being unduly restrictive in areas of the country where there were unused resources, unused capacity, which could be drawn into effective production, but for more detailed information as to the credit policies which have been followed by the chartered banks, I am afraid you would have to put the question to them.

(Translation)

Mr. CLERMONT: In 1965 the monetary policy had to take into account special events among others, failure of a finance company.

(English)

Mr. RASMINSKY: In 1965?

(Translation)

Mr. CLERMONT: I mentioned 65-66 and also the steps taken by the United States. Can you mention a few of these steps taken by the United States which could have affected Canadian monetary policy?

(English)

Mr. RASMINSKY: Yes. One of the measures which was taken by the United States in 1965, under its balance of payments guideline program, was to discourage short-term capital flows to Canada. This limited the market for short term credit instruments issued by Canadian borrowers and it was, along with a great many other things, one of the elements which had an influence in the determination of monetary policy in that year.

Another factor which the monetary authorities have to take into account, resulting from our financial relationships with the United States, was the agreement entered into by the government of Canada with the government of the United States which provided for continued exemption by Canadian borrowers from the interest equalization tax—thus ensuring the necessary inflow of capital into Canada to cover our current account deficit—under which the government of Canada agreed to certain target levels for its holdings of foreign exchange reserves. This was a factor which, as I said, the monetary authorities have to take into account in their operations although I do not believe that it substantially altered the course of monetary policy in Canada.

(Translation)

Mr. CLERMONT: My last question, Mr. Chairman, concerns section 14 of the Bank of Canada Act which enables the Government to give certain directions to the Bank. In your report to the Committee you say that you agree with the idea that monetary policy should be established by the Government. Does this mean, Mr. Rasminsky, that the Governor of the Bank of Canada should accept this opinion or else that he has no possibility whatsoever of . . .

(English)

Mr. RASMINSKY: Mr. Clermont, this question in one on which I have tried to outline my ideas quite carefully both in the statement which I made at the time I became Governor of the Bank and also in my introductory statement to this Committee. I do not think I would put the matter in quite the same terms as you have done in your question. It seems to me that the essence of the matter is that with regard to monetary policy, there is a dual responsibility; that both the government and the Governor are responsible for the monetary policy. The Governor or the Bank cannot effectively or properly pursue a monetary policy, if the government is prepared publicly to state that it wishes a different monetary policy to be pursued. Therefore, ultimately in this matter, the will of the government must prevail, but that does not relieve the Governor of his personal responsibility; the Governor continues to be responsible for monetary policy and, if he feels in good conscience that he cannot accept the view of the government as to what monetary policy should be followed, then he has no alternative but to leave and make room for someone else. I think it would also be, in those

circumstances, his duty to be sure that the public was fully informed as to the substance of the difference of view between him and the government.

(Translation)

Mr. CLERMONT: Are you happy with the Bill as it is? Do you feel that freedom of the Governor is fully respected?

(English)

Mr. RASMINSKY: I am sorry, sir, I did not understand your question.

(Translation)

Mr. CLERMONT: In one word, Mr. Rasminsky, are you satisfied that Bill C-190 respects the freedom of the Governor?

(English)

Mr. RASMINSKY: Yes, I am, Mr. Clermont.

(Translation)

Mr. CLERMONT: In your notes you referred to page 3 where you mentioned the fact that you hoped it would never be necessary to receive such directives.

(English)

Mr. RASMINSKY: That is right, I do.

(Translation)

Mr. CLERMONT: Thank you.

The VICE-CHAIRMAN: You have finished your questions, Mr. Clermont?

(English)

The next person on my list is Mr. Flemming.

Mr. FLEMMING: Mr. Chairman, the questions I have to ask Mr. Rasminsky really have to do with the disparity between economic activity and the general need for credit in the various regions of Canada. Would he care to comment on any way in which he thinks there might be a variation in the uniform treatment of regions so far as credit is concerned. I am thinking of the Atlantic region obviously and the lessened economic activity, and the difference in general per capita income that very often occur when parts of the country have need of certain treatment so far as credit is concerned, but the same need does not apply to the Atlantic provinces. My question would be: Does the governor feel there is a way in which the credit could be handled so that there might be a difference in the application and meeting of credit needs of the Atlantic provinces?

Mr. RASMINSKY: That is a very interesting question, Mr. Flemming. I know that many people in parts of the country have not felt the intense pressure on resources, that some other parts have felt from time to time. I think in the nature of the case that monetary policy cannot fail to be national in its scope. We have a single currency that is used throughout the country. We have a unified banking system and other financial institutions which are spread across the country; funds are perfectly free to move from one part of the country to another. The only influence that the central bank can exert in these circumstances is directed at monetary conditions or credit conditions in general. It is not open to the

central bank to have a series of regional monetary policies. That would involve, in effect, a series of regional currencies or a series of regional exchange controls between one part of the country and another. Therefore, the influence of the central bank is exerted quite generally through the banking system. The influence is, in a sense, indirect. It affects the banking system, it affects the markets generally. We have no power, nor—and I hasten to add—would we wish to have power to direct any lender to make a loan in a particular region.

If one thinks a bit further about this, it would seem—it would seem to me at any rate—that any action that was taken to make credit conditions easier in one part of the country than another—that is, to make interest rates lower in one part of the country than another—might be counterproductive so far as the particular regions are concerned, because it would reduce the attractiveness of those regions as areas of investment. Certainly, any region which expected to import capital, so to speak, from other parts of Canada, could scarcely afford to provide the disincentive of a lower rate of return on the capital. And, by the same token, investors in that region would be provided with an incentive to export their capital and put their funds at work in other parts of Canada. Therefore, I do not see much future in thinking in terms of an attempt at a regional monetary policy. Nevertheless, it has, as I have indicated, been the policy of the Bank of Canada to suggest to the chartered banks that they should take into account in their own lending policies the differences that do exist in regional circumstances.

Mr. FLEMMING: I quite appreciate that, and I also appreciate that it would be extremely difficult and no doubt inadvisable to have a difference in rates. I was only thinking about the availability really of credit, and I have no particular complaint to make in a personal way, with respect to the chartered banks. It is only when I hear from day to day this expression “tight money”.

Mr. RASMINSKY: That expression is not confined to the Atlantic provinces.

Mr. FLEMMING: I do not think it is a question of the rate. I think it is really a question of the availability of the resources of companies and individuals to finance themselves, which exists to a much greater extent in other regions than it does in the Atlantic provinces. Therefore, I think their need for credit is greater than in some other regions. That was really the reason for my question. I do not know whether you care to comment on this angle or not, but actually—and I do not want this discussion to get in to an Atlantic provinces discussion—it has been the experience of many years that in the exportation of goods, really the Atlantic provinces do export natural products. Generally speaking, they export them largely to the United States and perhaps to the United Kingdom to quite an extent. Therefore, the matter of credit, it seems to me—and while I realize that probably this function of the Bank of Canada does not take all of these factors into consideration, yet it seems to me that possibly the goods which are exported from those provinces, generally speaking, do make a definite contribution to what might be considered as being the balance of payments problem of the country; that probably in the approach to the credit situation something might be done, even though it were only informal in its nature. I do not know if you could do anything that was informal in its nature, or whether you have any views about that, but if you have I would be glad to hear them.

Mr. RASMINSKY: Mr. Flemming, I would like, if I may, to take you up on one thing you said and that is the suggestion that it is not the function of the central

bank to take these circumstances into account. It is the function of the central bank to take into account the circumstances in all parts of the country, and I hope that we have done so.

So far as informal action is concerned, I do not see what the central bank can do other than what I have indicated to you we have done, and that is to express our views, along the lines I indicated, to the chartered banks.

It is, of course, open to governments to take special steps to supplement the credits that become available through normal sources, and, as you know, a fair amount of governmental activity, both provincial and federal, has been undertaken along those lines.

Mr. FLEMMING: Yes; and the question of industry and its need for credit, those who are in the business of producing goods which are exported, or which replace goods which are imported, I assume, does have a bearing, and undoubtedly is considered; but I am wondering if the central bank is in a position to do any more than what you have indicated, that it is purely a matter in the hands of the chartered banks. As I say, I think the chartered banks are very conscious of this situation, really. But what is really bothering me is the fact that, generally speaking, we have a sort of uniform credit policy from one end of the country to the other, which I think should be capable of carrying some degree of variation depending on the financial situation, the economics and any other factors which seem to be of benefit to the country as a whole.

Mr. RASMINSKY: Yes; I am not sure, in fact, that we have that uniform credit policy. I think that this is a matter, so far as commercial bank credit is concerned, that you would really have to ask the commercial banks about.

Mr. FLEMMING: You think there might be a variation between chartered banks, for instance, would you say, in central Canada as compared with the Atlantic provinces, for instance?

Mr. RASMINSKY: I think there could be. Of course, the demands for credit may also differ in different areas.

Mr. FLEMMING: I have one or two more questions. May I ask, since we have today what is known as tight money, which, I think you will allow, did not exist 12 months ago, what actual mechanics have been invoked to bring about the change in the situation?

Mr. RASMINSKY: The main dynamic factor in producing this situation which you describe as tight money has been on the demand side for credit, with the very rapid expansion in the economy and with the rapid growth in the demands for credit on the part of virtually all sections of the community—the governments, businessmen, and consumers. The demands for credit have been very heavy indeed.

The policy that has been followed by the central bank has been to permit a credit expansion to continue but not on a scale that would have enabled all these demands to have been satisfied without an increase in the cost of credit.

Of course, the ability of the central bank to influence credit conditions is not as absolute as that answer might suggest, because you have to have people who are willing to extend credit, willing to buy bonds, and it is not at all certain, I think, that if the central bank had followed a different policy savers would have been willing to provide capital at lower rates of interest on the scale that they

have done at the higher rates of interest. But, basically—I do not know whether this is directly responsive to your question, Mr. Flemming—I would say that the mechanics have been that the Bank, viewing the situation of the economy, has, through its open market operations, moderated the rate at which it has been possible for credit to expand in the economy.

Mr. FLEMMING: Would you like to express an opinion on whether or not there is a lessening of the need for the present policy, as compared to three or four months ago?

Mr. RASMINSKY: Any opinion that I care to express on that would be expressed through the open market operations of the Bank of Canada.

Mr. FLEMMING: As a general question, do you think that the idea of producing more goods at reasonable prices is as satisfactory in dealing with inflation as a contraction of credit?

Mr. RASMINSKY: I think it is a much better way of dealing with inflation, certainly.

Mr. FLEMMING: I think that is all, Mr. Chairman, thank you.

Mr. THOMPSON: My series of questions, Mr. Rasminsky, arise out of the supplementary I asked this morning. There is just one question I would ask before I go into this topic.

I believe I am right in saying that, according to your statement this morning, one of the objectives of the Bank of Canada is to control the total volume supply of money in Canada, and that one of the means of accomplishing this is through the purchase and sale of Canadian government bonds by the Bank of Canada?

Mr. RASMINSKY: If I may reply to that, Mr. Thompson, it is the case that the consequences of central bank action result in changes one way or the other—greater or lesser rates of increase in the money supply—but the objectives which the Bank of Canada seeks in its operations are not to attain any given rate of increase in the money supply. Our objectives are to encourage the development of credit conditions of a character which we consider appropriate, in the light of all the circumstances in the economy; therefore, I would not put the control of the money supply—and I hope I did not; I do not think I did—in quite the position that your question suggests.

Mr. THOMPSON: Could you tell us the total value of government bonds that the Bank of Canada is at the present time holding?

Mr. RASMINSKY: Certainly; last Wednesday, Mr. Thompson, the total of government securities held by the Bank of Canada, including treasury bills and bonded debt, was \$3,293.5 million; that included \$55 million of securities which were in our temporary ownership as a result of borrowing by money market dealers from us. Therefore, if you subtract that from the figure I gave, our holdings last Wednesday were approximately \$3½ billion.

Mr. THOMPSON: What portion of those would be bonds which are open-ended so far as maturity is concerned?

Mr. RASMINSKY: Open-ended in so far as maturity is concerned, none.

Mr. THOMPSON: When you place the ads in the press regarding the sale of government bonds, it has been customary to state that the Bank of Canada has already agreed to acquire a minimum of so many million dollars worth of these bonds open as to maturity.

Mr. RASMINSKY: Oh, I see what you mean. In the ordinary course of events, Mr. Thompson, at the time of a refunding issue, when an issue of government of Canada securities matures, the government of Canada offers more than one choice to the investors whom it wishes to attract into the new offering to pay off the maturing issue.

In recent years there have quite frequently been three choices offered. Quite often a quite short-term security of, say, a year or 11 or 13 months, then a somewhat longer security, say, a two or three or five year security, and sometimes a long-term security. When the subscription book is open and primary distributors, as they are called—that is investment houses that have a capacity to sell securities—are invited to subscribe to the government issue, they are normally given a firm allotment of bonds which they can distribute among the various maturities as they wish, and then they are given the right to subscribe to additional amounts. On these occasions the Bank of Canada is also normally a substantial holder of the maturing security, and we would normally at least be replacing our holdings by taking up some of the new issue.

Not knowing what the preferences of the investing public will be, for the various choices of the new issue, which are being offered, we will indicate our willingness, in a sense, to adapt our own requirements to the preferences of the market by telling the market that we are prepared to subscribe for a certain amount, open-ended as to maturity, which means that we would retain the flexibility of deciding which of the various new issues being offered we would take.

Mr. FULTON: May I ask a question for information only? Was any part of this \$3½ billion of government of Canada securities, held by way of deposits with you by the chartered banks, or is this your own holdings independent of the chartered banks' deposits?

Mr. RASMINSKY: These are our assets. The deposits of the chartered banks with us are our liabilities.

Mr. THOMPSON: Coming back to the answer you gave this morning, Mr. Rasminsky, regarding whether or not borrowings in the United States, or on other foreign markets, actually increase the money supply in Canada, I was not quite clear on your answer and I have several questions in relation to that. To be specific let me use an illustration of an American firm investing \$10 million in Canada either in the construction of some building, or manufacturing plant, or in a project develop some natural resource such as oil or minerals. What effect has this \$10 million on the total money supply in the country?

Mr. RASMINSKY: Mr. Thompson, I do not really think that one can say what effect on the money supply any specific transaction of the sort that you describe, or any other sort, has. The development of the money supply is the result of the interaction of many things which are going on in the economy, including the policy that is being followed by the central bank in the light of these things that are going on in the economy.

If we were operating under the gold standard—if Mr. Grégoire will excuse the expression—then one could be quite categorical and specific in answering your question, certainly if the central bank held the gold; because in that case one would have to say that any inflow of capital resulted in a corresponding creation of central bank money and so it was a factor which, taken by itself, tended to increase the money supply, and then one would have to ask: Is it going to be offset by something else? But we are not operating under the gold standard, and the foreign exchange reserves are not held by the Bank of Canada, they are held by the government of Canada. If the foreign exchange reserves increase as a result of a whole series of transactions, including the one that you mention, then what happens in the banking system, so far as the money supply is concerned, is that there is a transfer of deposits from the government to private individuals as the government buys the foreign exchange from private individuals; so that the privately held money supply would in those circumstances increase, and the opposite would happen if there was a loss of foreign exchange.

Mr. THOMPSON: I do not want to over-simplify my approach to your question, but supposing a company did go down and borrow \$10 million and brought the instrument back with them to Canada, would the chartered bank receiving such a \$10 million cheque in U.S. money have to account to the Bank of Canada for this?

Mr. RASMINSKY: No sir; there is no exchange control in Canada.

Mr. THOMPSON: But does the company not deposit that, then, in a chartered bank?

Mr. RASMINSKY: The company borrowing \$10 million might borrow it for a variety of purposes; it might borrow it to pay off some other debt in the United States, which it owned in terms of United States dollars.

Mr. THOMPSON: What I am concerned with is that the bank, if the bank gets this American money, must do something with it?

Mr. RASMINSKY: Sure; it sells it to somebody who needs American money to pay for imports.

Mr. THOMPSON: What happens to that? Is the bank concerned not able to use this in its own credit, say, in depositing it with, or receiving credit from, the Bank of Canada?

Mr. RASMINSKY: No sir; the cash reserves that the banks are required to maintain with us consist exclusively of deposits with us and our own notes. American dollars are not part of their cash reserves.

Mr. THOMPSON: What you are saying, then, is that in no way does this \$10 million of American money enter into the cash reserves that a chartered bank may wish to accumulate?

Mr. RASMINSKY: Technically, that answer is right. If the borrower in the United States sells his U.S. dollars to one bank he will get Canadian dollars in return. If he leaves the Canadian dollars on deposit with that bank then this will become one component in the total of Canadian dollar liabilities of the chartered banks, but it will not become part of the cash reserves of the chartered banks.

Mr. THOMPSON: What you are saying to us is that in no way can American or foreign capital coming into Canada affect the reserve status of any of the chartered banks?

Mr. RASMINSKY: If by that, Mr. Thompson, you mean their cash reserve position with the Bank of Canada, the only thing that can affect the cash reserve position of the chartered banks, that is, the only thing that can affect our liabilities, is if we acquire an asset; and the mere fact of a Canadian borrowing in the United States and selling American dollars to a chartered bank does not result in the Bank of Canada acquiring an asset. It may be a factor affecting the state of the economy, the general situation that the Bank of Canada takes into account, but there is no automatic connection.

Mr. THOMPSON: Would you say that since the end of World War II there has not been any danger of inflationary effects in Canada as a result of the borrowing of American dollars, or other foreign money?

Mr. RASMINSKY: That is quite a general statement. I think I would not want to venture an offhand reply to that question. In fact, I can think of at least one case where the inflow of capital into Canada was an important factor in an inflationary situation, and that was the situation in 1950 at the time of the Korean War when there was quite a massive inflow of capital into Canada, which resulted in an unwelcome intensification of inflationary pressures and which led in 1951 to the abandonment of the fixed rate of exchange and our going on to a fluctuating rate of exchange.

Mr. THOMPSON: That was your method of combating that problem at that time. How does that compare then to the situation in 1963?

Mr. RASMINSKY: In 1963?

Mr. THOMPSON: Yes; when we went onto a fixed rate of exchange.

Mr. RASMINSKY: That would be in 1962. The circumstances were quite different. In 1962 the economy was just making a good start at recovering from a period of some economic recession. There was a good deal of unused capacity in the country. The exchange rate had been very high. It had been falling in the latter part of 1961—it had, in fact, been falling since the latter part of 1960—but in the early part of 1962 the inflow of capital was quite inadequate to look after our continuing current account deficit and we lost reserves very heavily.

Then the new parity for the Canadian dollar was chosen, and, as you know, in the summer of 1962, a series of measures were taken, by the government and the central bank, directed towards overcoming our exchange difficulties. These measures were quickly successful, and the expansion of the economy proceeded.

Mr. THOMPSON: Am I correct in saying, Mr. Rasminsky, that since then the Bank of Canada is obligated to take over all of the United States currency which is offered by the chartered banks?

Mr. RASMINSKY: No, that is not right, Mr. Thompson. We have no such obligation. The Bank of Canada, acting as the agent for the government in the administration of the exchange fund account, intervenes in the exchange market from time to time mainly to preserve orderly conditions in the market, to take up surpluses if the surpluses seem to be considerable and not readily absorbed by the market itself, or to supply deficiencies; and this action on the part of the exchange fund account, which is the principal in the transaction, is reflected in the month-to-month changes in the reserves. But the Bank of Canada is under no obligation to buy foreign exchange from the chartered banks or anyone else.

Mr. THOMPSON: My basic thought in posing these questions, Mr. Rasminsky, goes back to the fact that much of our municipal and provincial borrowing today is taking place on the American market.

I would ask: Suppose Saint John, New Brunswick and the province of Mr. Flemming, were to come to the Bank of Canada and ask to borrow \$10 million for the construction of a new wharf, or some other public project. I mention this particularly in view of the regional needs of the country. Would this \$10 million be considered a new supply of money, or an increase in the money supply of the country?

Mr. RASMINSKY: This would result in an increase in the cash reserves of the chartered banking system. This would be an increase in the so-called high-powered money, which would certainly have an effect on the total amount of credit.

Mr. THOMPSON: You would say that such a \$10 million would be liable to cause inflation, or would be a contributing cause.

Mr. RASMINSKY: Well, any asset acquired by the central bank enables the credit system to expand, yes.

Mr. THOMPSON: What you are saying then is that it is better for us to borrow on the New York market than on the Bank of Canada market as far as the impact on the inflationary trends in the country is concerned?

Mr. RASMINSKY: I think that, all things considered, I would reply Yes to that question.

Mr. THOMPSON: I would ask, also, then, Mr. Rasminsky—

Mr. FULTON: Mr. Thompson you spoke of direct borrowing from the Bank of Canada on the one hand and then your second question was borrow on the New York market rather than on the Canadian market, which are two different things.

Mr. RASMINSKY: I took the question to be contrasting between borrowing on the New York market and borrowing from the Bank of Canada.

Mr. THOMPSON: The problem that exists in my mind is this, that one of the greatest needs within the country is the need for capital development money on government levels. Federal, yes, but the need is much greater at the municipal level. It is greater, perhaps, on the provincial level than on the federal level. Why is it not possible for such type of public capital to find its source in the Bank of Canada rather than, as we are finding it now, to a great extent, on foreign markets?

Mr. RASMINSKY: Mr. Thompson, I am glad that you asked that question, and I hope you will have time to listen to my reply which will be a fairly extended one. It is a question which has been asked from time to time and I anticipated that it might be put here today.

A number of schemes have been advanced from time to time for using the central bank as a source of financing for governments and for other projects which are considered to be in the public interest. In some cases an additional objective may be to bring about an increase in the money supply of the country.

You asked some questions before about the amount of government securities held by the Bank of Canada. These securities, which are held by the Bank of Canada in an amount of about \$3½ billion, are the result of net purchases made

by the Bank of Canada over its history, in the course of providing for growth in the note circulation and in the cash reserves of the banking system, in accordance with monetary policy. The Bank of Canada will no doubt continue to add to its holdings over the years as the economy expands, but its ability to do so will be limited by monetary policy considerations. If the central bank were required to add to its assets at a rate in excess of what is needed for the growth of the economy, the cash reserves of the chartered banks would expand correspondingly. The central bank would lose control over the credit situation, and it would be encouraging inflation.

It is sometimes proposed that the central bank should go ahead and provide the funds which are needed, and then that the cash reserve requirements of the chartered banks should be raised so that in fact there would be no extra cash on which to base an undesirable degree of monetary expansion. The greater the use of central bank credit in this way, to meet these desirable objects that you might have in mind, the higher the cash reserve requirements of the banks would have to be in order to limit the damage. Sometimes these proposals take a quite extreme form, to the effect that the cash reserve requirements of the chartered banks should be raised to 100 per cent of their deposit liabilities and the central bank should control the use of those funds.

What is common to all these proposals is to shift some portion of the total assets of the chartered banks to the control of the central bank. The chartered banks, in turn, are required to make interest-free loans to the central bank since maintaining the deposit is a form of lending. It is claimed sometimes by those who advance these proposals that the arrangements would give the Bank of Canada a greater measure of control over the monetary and credit system and at the same time reduce the financial burden of the public debt.

Well, the first thing I would like to say about these proposals is that they are not needed to enable the Bank of Canada to carry out its monetary policy function. It is our view that the Bank of Canada Act, as amended by this bill, provides the central bank with enough power to influence the over-all credit situation. Of course, views may differ from time to time on whether credit conditions in the economy are too easy, or too tight, or whether the money supply is too large or too small, but these are differences about monetary policy and not about the adequacy of the mechanism now provided by legislation.

The proposal that we should finance these desirable objectives by acquiring securities and then limit the repercussions through raising the cash reserve requirements of the chartered banks would channel credit—it consists really of setting up procedures which would channel credit through the financial system to governments on more favourable terms than would otherwise be available. In other words, the purpose would be to make it compulsory for bank depositors' funds to be loaned to the government and the Bank of Canada for a smaller return than would be obtained elsewhere. Here the question arises, if this is the essence of the proposal—I may be anticipating in this reply: Why should a particular group, the customers of the chartered banks, be singled out for the provision of funds at less than market rates of interest? This, I think is a very serious defect in these proposals. Another is that if it is thought that the Bank of Canada, under this type of very high—100 per cent in the extreme case—reserve system would administer the funds, the banks under this system, of course, would not be able to carry the assets that they now carry; they would not be able

to make commercial loans. If it is thought that the Bank of Canada should do that, then I would have to say that the Bank of Canada has no particular expertise, or qualification, to carry on this type of business.

Mr. THOMPSON: Mr. Rasminsky, in this regard—

The VICE-CHAIRMAN: Mr. Thompson, I do not like to interrupt, but I think it has been decided, prior to this afternoon, that all members could have the opportunity of questioning Mr. Rasminsky. Actually you have been questioning for more than 25 minutes, and in order to allow all members who want to ask questions of our witness this afternoon, I would like to know if you could not defer your other questions?

Mr. THOMPSON: I will respect your wishes, Mr. Chairman. My questions have been rather short, but the answers have been long.

(Translation)

Mr. GRÉGOIRE: I agree with Mr. Thompson, the questions are long but when the questions are getting more specific and tend to give more practical notions more concrete notions, one changes the rule concerning questions somebody else is asked to put questions, and we never get to really concrete answers. So I should think Mr. Thompson should go on.

Mr. VALADE: I believe Mr. Grégoire wants to have the Social Credit theory accepted, but we are not here for that.

(English)

Mr. THOMPSON: Mr. Chairman, I respect your ruling, I would request, though, that you put me back on the list.

(Translation)

The VICE-CHAIRMAN: To answer Mr. Grégoire, I would say my intent was to ask Mr. Thompson to postpone his other questions. This has nothing to do with the right to put questions. Your name, Mr. Grégoire, is on the list and you will be called, most likely before we adjourn. You may then ask all the questions you would like to ask within the time limit which was decided by the members.

(English)

The VICE-CHAIRMAN: With your permission I will call on Mr. Fulton.

Mr. THOMPSON: Mr. Chairman, might I say this, that actually we are right in the middle of what I consider to be a very important point and I—

The VICE-CHAIRMAN: Well, is it the consensus of the members that Mr. Thompson continue?

Mr. THOMPSON: I would like to take it up again later on if we cannot go on now.

Mr. FULTON: It is not my intention to be facetious but I am not sure that Mr. Rasminsky had finished his answer.

Mr. RASMINSKY: My answer was already too long. I agree with Mr. Thompson. His questions were much shorter than my answers. I think I prefer to consider this answer concluded.

The VICE-CHAIRMAN: I am in the hands of the committee. If it is the consensus of the members that Mr. Thompson continue I do not want to interrupt.

Mr. THOMPSON: I respect your ruling and I will be as short as I can on the questioning. In this regard, we are speaking of what might be classed as another category of public capital for projects that are not in themselves profit-making projects; they are service rendering projects. As I listened to your answer my thought turned to the I.D.B. Am I not correct in saying that the Industrial Development Bank is an integral part of the Bank of Canada?

Mr. RASMINSKY: Yes sir; it is a wholly owned subsidiary.

Mr. THOMPSON: Is it not expanding its reserves for the purposes which it is lending money for?

Mr. RASMINSKY: It is expanding its total assets. It is expanding its total loans. It is also making some additions to its reserve against losses and to its general reserve fund.

Mr. THOMPSON: Could there not be a similar child of the Bank of Canada dealing with public capital needs as well as the I.D.B. does on the private sector of the economy?

Mr. RASMINSKY: The public capital needs, Mr. Thompson, are of course much greater in their size than the amount of loans involved in I.D.B. operations. The total borrowings of provinces and municipalities during the past period have been as follows. The net new issues of provincial bonds, Mr. Thompson, in the year 1965 were \$742 million of municipal bonds, \$203 million for provinces, or about a billion dollars for provinces and municipalities. The net amount in the past 12 months of I.D.B. loans outstanding has increased by about \$50 million. The scale of operations involved is quite different.

Mr. THOMPSON: The point that comes to me in your explanation is that you are taking a rather extreme position to say that you are possibly going to reach a point where you are going to have to put the banks on 100 per cent reserves because you are going to provide some dollars for provincial and municipal capital development that are not the high-powered dollars that you are necessarily speaking of.

Mr. RASMINSKY: All our dollars are high powered dollars.

Mr. THOMPSON: Is there not a provision in the Bank Act for the Bank of Canada to act as the fiscal agent of the provinces and thus limit very effectively the amount of money that might be available for this type of development?

Mr. RASMINSKY: There is such a provision in the present Bank of Canada Act, Mr. Thompson. One of the proposals to be considered by the committee and Parliament is to eliminate that provision.

Mr. THOMPSON: You do not think, then, that perhaps the Bank of Canada is neglecting its responsibility to the nation in not providing money that does not have to compete with the high cost of commercial capital today, money that likewise has to pay extremely high cost of interest because a good portion of it is paid across the line to the United States market?

Mr. RASMINSKY: No, I do not think we are neglecting our responsibilities to the nation. I do not think we could provide the proper service to the government of Canada or discharge our responsibilities as regards monetary policy properly if we were under an obligation to finance provinces and municipalities.

Mr. THOMPSON: You have mentioned statistics that are in the neighbourhood of a billion dollars. Just suppose that we take half of this figure as a reasonable estimate of what might be handled. Even if these are high powered dollars is it going to completely upset the working of the reserve system for the private banks to assume some of that responsibility at a lower cost of interest than commercial dollars are concerned?

Mr. RASMINSKY: Mr. Thompson, you asked if we provided half of these requirements, about \$500 million, whether it would be upsetting in its effects. The average annual amount of the increase in the Bank of Canada's assets, in its total assets, over the last five years has been about \$150 million, so that the proposal, involving the arithmetic you mention to provide finance to provinces and municipalities on that scale, would mean more than tripling the rate of expansion of the credit system, and this would be very upsetting in its effects. I do not know that it would upset the private institutions; banks particularly might welcome it. But, it would be very upsetting so far as the economy is concerned.

Mr. THOMPSON: It would triple?

Mr. RASMINSKY: Yes sir.

Mr. THOMPSON: It would triple the money supply in the country? On what basis of reserve is that?

Mr. RASMINSKY: It would triple the increase. What determines the increase in the money supply is the amount of central bank cash that is made available. A rough measure of that is the increase in the Bank of Canada assets. Over the last five years—these figures are approximate; I may correct them in a moment when my colleagues have had a chance to look at them—I am now told the average annual increase in the total assets of the Bank of Canada has been about \$180 million. This \$180 million has on the average determined the rate at which it has been possible for the money supply to increase. So if to this \$180 million we added, or even if you forgot about the \$180 and simply increased our assets by \$500 million a year, then clearly the money supply would be able to increase at a rate triple.

Mr. THOMPSON: You would not be increasing it on that basis continually, as I see it, because this becomes a revolving fund, and as it is returned in the same that a loan is paid off, it cancels that credit. However, I must not enter into a discussion with you.

I would just make one closing statement, Mr. Chairman. In the last federal-provincial conference which closed here just last week, obviously one of the tremendous problems we face in this country, so far as government financing is concerned, is to find enough dollars to pay for the tremendous capital development that is taking place on municipal and provincial levels. It seems to me that the cry of the provincial governments is not an unjustified cry because of the pressures that are on them; and for a provincial government whose responsibility relates to the municipal governments in that province to have to pay \$2 million within a period of 15 years for a \$1 million school, hospital, wharf or bridge, seems to be unreasonable. Certainly it is hindering the normal development of such projects in the country in view of the fact we have labour, resources, the need. My reason for posing this question is to find out whether or

not in your opinion there is some more reasonable way to approach this tremendous need in the country for public capital?

Mr. RASMINSKY: I do not think that the Bank of Canada is a proper vehicle for that, Mr. Thompson.

Mr. VALADE: May I ask a supplementary question as a matter of clarification? Could you tell me what would be the influence of such a policy on the liquidity of the banks themselves? Would it reduce the liquidity of the banks at some period of time entirely or would it just not influence the liquidity of banks?

Mr. RASMINSKY: The policy suggested by Mr. Thompson?

Mr. VALADE: Yes, the policy suggested by Mr. Thompson.

Mr. RASMINSKY: The effect would be to greatly increase the liquidity.

Mr. VALADE: Which would create an increase in inflation?

Mr. RASMINSKY: Which would greatly increase their capacity to extend credit, to acquire assets.

Mr. VALADE: Would it increase the interest factor also in this regard?

Mr. RASMINSKY: I do not know. Taken by itself it would tend to reduce interest rates, but if the result was to encourage more spending because credit was more readily available and at lower rates of interest, without this process by itself doing anything to increase the supply of goods then, of course, this would add to the inflationary pressures. Even if you succeeded in paying, say, 2 per cent less on the interest rate, if you pay double or triple the amount for the project you are no further ahead.

Mr. THOMPSON: Mr. Chairman, I have a question arising out of that answer. You speak in terms of this not producing goods and services. Every dollar of this would be used to produce goods and services. Even the interest would not be going outside the country or the cost of such loans. It would be internal.

Mr. RASMINSKY: Mr. Thompson, I take it for granted that the general monetary policy pursued by the Bank of Canada will remain directed toward encouraging the economy to produce as much goods and services as it can at reasonably stable prices, and the technique that we are now discussing is not necessary in order to induce or encourage the Bank of Canada to follow that policy. There is nothing automatic in this technique that results in the production of one additional iota of goods and services.

Mr. THOMPSON: That is because the money is not spent until it has produced goods and services.

Mr. RASMINSKY: But if the situation is that the limitation on the production of goods and services is physical, that is to say, if the capacity is being fully utilized and you do not have enough labour with the right degree of skills at the right places or you do not have the right degree of entrepreneurship, then these are physical limitations.

Mr. THOMPSON: Yes but this type of money does not come into being until this project is completed.

Mr. RASMINSKY: Yes, but the fact of the money coming into being does not in itself produce additional goods if you are up against the physical limitations of what the economy is capable of producing.

Mr. GRÉGOIRE: I have a supplementary question, Mr. Rasminsky. You said that if over a period of one year the Bank of Canada was to increase its liabilities, like Mr. Thompson suggests, to \$500 million instead of \$180 million, meaning an increase of \$280 million over what you are doing now, that would upset the economy. My question is, will it upset the economy more than the increase in the liabilities of the chartered banks which was almost \$2 billion for the last two years. I have the completed figures between 1964 and 1965; they have increased their liabilities by over \$1,900 million. This did not upset the economy, and if the Bank of Canada was increasing its liabilities to \$500 million instead of \$180 million it is nothing much compared to what the chartered banks did. How could it upset the economy then?

Mr. RASMINSKY: As you realize, Mr. Grégoire, the difference of \$320 million, when added to the cash reserves available in the economy, would permit the chartered banks and other credit institutions to increase the scale of their operations by many times that. In the case of the chartered banks—and I realize this is the reply you wish to elicit from me—the additional cash reserves would support an increase in their liabilities of \$3½ billion and, at the same time, I have not the slightest doubt that there would be at least a proportionate, if not more than proportionate, increase in the liabilities of the non-bank financial institutions.

Mr. GRÉGOIRE: Suppose that out of this \$500 million you would lend, not a single cent would go to the chartered banks. I am making a supposition—not a single cent of this \$500 million would go to the chartered banks but it would go to the credit unions or the trust companies. Would that \$500 million upset the economy if none of it were going to the chartered banks?

Mr. RASMINSKY: Well I think you would have to put a policeman at the door.

Mr. GRÉGOIRE: Suppose not one single cent of this \$500 million was going to a chartered bank but it would all go to the trust companies, credit unions or caisses populaires; would that upset the economy of the country?

Mr. RASMINSKY: I find it very difficult to answer. I do not consider the question to envisage a real possibility, Mr. Grégoire.

Mr. GRÉGOIRE: Well, let us suppose that the chartered banks had no more privileges than the trust companies; would that \$500 million upset the economy?

Mr. RASMINSKY: I do not know what additional privileges you have in mind. The cash reserves of the chartered banks are, if anything, higher than the cash reserves of the trust companies. An extra \$500 million in the system will provide additional cash reserves for non-bank financial institutions, wherever it is found. The difference is, I suppose, that in the case of the other institutions, one cannot say precisely what volume of additional borrowing from the public, in the form of deposits, these cash reserves will support; whereas, in the case of banks, one can say precisely what volume of additional borrowing from the public in the form of deposits this will support.

The VICE-CHAIRMAN: I will allow one more supplementary question but we must not continue indefinitely.

Mr. VALADE: On a point of order, Mr. Chairman, I think in committee the same rules apply as in the House of Commons, that no hypothetical question can be asked of the witness, but if there is a specific question all the committee is interested to hear the answer. But hypothetical questions demand hypothetical answers and I do not think the committee require such answers.

Mr. THOMPSON: May I ask one single question.

The VICE-CHAIRMAN: Provided it is only one question, yes.

Mr. THOMPSON: What you have said then today, Mr. Rasminsky, is that \$500 million from the United States borrowed for capital development in the country is not as harmful to the economy as \$500 million that might be available through the Bank of Canada?

Mr. RASMINSKY: Yes.

Mr. THOMPSON: Even in view of the fact that our interest goes to a foreign country as it is going now?

Mr. RASMINSKY: Yes.

Mr. THOMPSON: Something is wrong with that.

Mr. LEBOE: Could I ask a supplementary question. It is a very simple one. Suppose these were not high powered dollars, Mr. Rasminsky, and suppose the Bank of Canada became a different entity in its operations with, let us say, a municipal bank, and that these dollars were not high powered dollars, then we would save the interest, would we not, on money coming in from the United States without having any more effect than \$500 million coming in from the United States.

Mr. RASMINSKY: In your question Mr. Leboe, you have now excluded the Bank of Canada from consideration, and this is simply a question of whether it is better for the municipalities or provinces to borrow domestically or to borrow abroad. Have I understood your question?

Mr. LEBOE: No, that is not all the question. The question is related to the cost of money to the municipality itself. Could not the Bank of Canada be broadened to the point where it could supply the money—it is an entity of the government, actually; it could supply the money—money under a system where it is not the high powered dollars that will result in the raising of the cash reserves.

Mr. RASMINSKY: No, sir.

Mr. LEBOE: Why not?

Mr. RASMINSKY: Because the Bank of Canada is a central bank. Our liabilities are legal tender. We are responsible for credit conditions in the country.

Mr. LEBOE: Yes, but you have your Industrial Development Bank, have you not, right now for which you are responsible?

Mr. RASMINSKY: Which operates on a fairly modest scale, yes.

Mr. LEBOE: Could we not incorporate a similar situation? This is important for the communities that are affected, and I feel very strongly that there is a way in which the Bank of Canada can be set up to operate and give this type of relief that the municipalities are actually asking for, on the same basis that you have your Industrial Development Bank.

Mr. RASMINSKY: If there is a way, I would like to examine it.

Mr. LEBOE: Well, we will have a talk after a while.

The VICE-CHAIRMAN: I will call Mr. Addison since Mr. Fulton asked for an extension of time.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Have you got me on the list, Mr. Chairman?

The VICE-CHAIRMAN: No, I have not.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I indicated my intention to ask questions two hours ago. I do not know what happened to my name on the list.

The VICE-CHAIRMAN: No, we did not finish our list yet. You are the next one on the list, Mr. Cameron, right after Mr. Addison. Mr. Addison has not yet had an opportunity to ask any questions.

Mr. ADDISON: Mr. Chairman, I would like to ask the Governor of the Bank of Canada some specific questions with regard to the machinery of triggering the lifting of the six per cent ceiling for interest rates. This has to do with the government of Canada short term issues. Is it a fact—and I am asking this for information—that the decision of the government will really determine the time when this rate will flow free by the action of the Bank of Canada?

Mr. RASMINSKY: May I say first, Mr. Addison, that I really think these questions should not be addressed to me. I have no responsibility under the Bank Act. I will do the best I can to answer.

Mr. ADDISON: I am asking this as an information question of fact.

Mr. RASMINSKY: As I understand it, the trigger would be determined by the level of market rates of interest, and the level of market rates of interest is determined by market forces, and not by the government of Canada.

Mr. ADDISON: In the interpretation of banks and near banks—and I do not believe we have the act in front of us yet for the deposit insurance, is that correct?

Mr. RASMINSKY: I do not think so.

Mr. ADDISON: If a near bank takes advantage of the federal deposit insurance opportunity, does that mean that it will then fall under the general concept of the Bank of Canada?

Mr. RASMINSKY: As you say, the legislation has not been brought down. Mr. Addison, and I am unable to answer any questions about the proposed legislation.

Mr. ADDISON: Insofar as the chartered banks now operate on the basis of providing interest on personal savings deposits in Canada—and I have an exhibit here from 1962 when it was three per cent per annum on minimum quarterly

balances, in connection with near banks and trust companies we see various interest rates being offered to depositors, and we see various promotional ideas such as toasters and coffee pots to attract deposits. Do you feel that there should be some uniform method of calculating interest on deposits so that the public will know and compare intelligently?

Mr. RASMINSKY: Here again I am sorry that I seem to be so unresponsive to all your questions, Mr. Addison, but this does again relate to provisions of the Bank Act on which I really do not feel qualified or competent to answer.

Mr. ADDISON: Is there a debt level in Canada as there is in the United States?

Mr. RASMINSKY: No, sir.

Mr. ADDISON: There is not? Thank you.

The Vice-Chairman: Mr. Cameron, please.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Rasminsky, following to some extent on some of the questions that have been asked you with regard to the effects of American policies on our own monetary policies, would it be right to say that the combination of the fixed exchange rate and the agreement with regard to exchange reserves narrows very sharply the area in which Canadian monetary policy can operate? I have in mind, for instance, the possibility of a situation—a horrible thought, I admit—whereby it might be considered necessary to tighten money further than it is now. If that policy were undertaken, would it not that have the tendency to cause the exchange reserves to rise above the agreed level?

Mr. RASMINSKY: It would tend to have the effect of relative tightening of credit conditions in Canada as compared with the United States, and would tend to have the effect of drawing in reserves. Whether it would result in them rising above the agreed level or not, I do not know.

On your more basic question, Mr. Cameron, as to whether the combination of the fixed exchange rate and our understandings with the United States regarding the level of reserves narrows the scope for monetary policy in Canada, I think my quick reaction to that is to say that there is still enough scope to worry about. There is a range of choice in monetary policy that results in a situation where the thing is not on automatic pilot. It is worthy worrying about how you should be behaving.

I think it is the case that whatever exchange system we have in Canada, in a country where international transactions are as important as they are here, that we are bound to be influenced in the conduct of our affairs, including the conduct of our monetary policy, by what is going on in other parts of the world, and particularly in the United States.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would it not be right to say that the understanding with regard to the maintenance of the exchange reserves \$2,600 million or whatever it was, sharply narrowed your capacity to use monetary policy effectively in Canada? Is it not possible that this price we are paying is a rather high price to pay for some relaxation of guidelines?

Mr. RASMINSKY: I would not agree with that statement, Mr. Cameron. For one thing, at the same time as the government agreed to the target levels for the

reserves, particularly the last agreement about a year ago, the government arranged with parliament to take power to repatriate—or perhaps it already had the power in the Financial Administration Act—its own securities, and the government has in fact repurchased very substantial amounts of its own securities in the American market, as a method of using reserves, and it has also bought some International Bank bonds from American holders which have also had that effect. This willingness on the part of the government to change the amount of its own securities outstanding in American hands, of course, represents a substantial freeing of monetary policy. If in fact, as your question suggests, this has constituted a substantial limitation on our freedom of action in the past year, then the implication of that would seem to be that had it not been for this agreement we would have had a substantially tighter credit situation in Canada than we have had in the last year.

I realize that opinions may differ as to whether credit conditions here have been tight enough. Some may think that interest rates should have been higher but, so far as I am concerned, I have not had that view. I do not think that we have been limited in our capacity to have credit conditions that are appropriate to our circumstances during the past year as a result of this agreement.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then, Mr. Rasminsky, I would like to refer to your evidence before the Porter Commission in which you set out the objectives of monetary policy on page 5. I notice that you include among those objectives the equitable sharing of economic benefits and burdens. The question I would like to ask you is this. If, for instance, the government of Canada decided the present sharing of benefits and burdens was not as equitable as it should be—for instance, if they decided it would be desirable to alter the existing sharing of total national income which has hardly changed in I do not know how many years—it goes back to 1949 anyway, according to the figures we had presented to the committee earlier by another witness—what weapons could monetary policy employ to make the sharing more equitable if it decided it was not as equitable as it should be now?

Mr. RASMINSKY: What we said in our submission to the Commission, Mr. Cameron, was that the objectives of monetary policy were the same as those of public policy generally, and then we characterized the objectives of public policy in a certain way which includes the phrase that you have quoted, the equitable sharing of economic benefits and burdens and the maintenance of a high degree of economic freedom. I realize, reading this now, that we might have found a clearer way of putting it; we did not mean by that to imply that this particular objective is one that can be specifically sought by monetary policy. Monetary policy does, of course, have its influence in matters of equity and sharing. One of the things that the central bank is inevitably concerned about is the inequitable effects of the inflationary process on the distribution of the benefits that are available to various sections of the community. Not all sections of the community are equally able to protect themselves against the bad effects of inflation. To that degree there is a direct link between monetary policy and the matter of equity in the distribution.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes, but is it not a rather negative connection in that monetary policy may operate to some degree at least to prevent a deterioration of the degree of equitability. But can it function to improve—

Mr. RASMINSKY: I think that your question is well taken, if I may say so, Mr. Cameron. I think that what monetary policy is basically concerned with is the total size of the pie, that monetary policy cannot be concerned with the relative shares, the relative slices of the pie, that various sections of the community get.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): This was really the basis of my question. I wanted to find out from you if there was any way in which monetary policy could seriously affect the allocation of resources. I would think, very little.

Mr. RASMINSKY: As we operate, there is very little that can be done through monetary policy in that respect, Mr. Cameron.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I would like to ask you some questions—I hate to go back to this question—on inflation. When the Bank of Canada feels obliged to take steps with regard to the control of inflationary pressures, what indicators do you watch most carefully to decide when you put the brake on? What type of indicator do you use?

The VICE-CHAIRMAN: I am sorry to interrupt you, Mr. Cameron, but since you have asked this important question I would like to know if it would be agreeable to all the members, since we have had a lengthy session and in all fairness to our witness, to adjourn until eight o'clock, at which time you might put your question again.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): We could adjourn right now, if you like.

The VICE-CHAIRMAN: The meeting is adjourned until eight o'clock this evening.

Mr. GRÉGOIRE: Before adjournment, Mr. Chairman, may I ask Mr. Rasminsky if the answer he gave to Mr. Thompson a few minutes ago was a written statement and if so, if we could have some copies of it.

The VICE-CHAIRMAN: Mr. Rasminsky, would you have a copy of the statement?

Mr. RASMINSKY: I just used notes for the answer, Mr. Grégoire. If you wish, I will see if I can put it into something worth submitting for the committee.

Mr. GRÉGOIRE: Could we ask the Chairman to furnish us with a copy of the statement.

The VICE-CHAIRMAN: As soon as it is ready.

Mr. GRÉGOIRE: Tomorrow?

The VICE-CHAIRMAN: The meeting is adjourned.

EVENING SITTING

8 p.m.

The CHAIRMAN: Gentlemen, I think we are in a position to resume our meeting. I am informed that at the recess of this afternoon's session we were about to give Mr. Cameron the floor. Mr. Cameron, would you like to proceed?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Thank you, Mr. Chairman. When we rose for the recess, Mr. Rasminsky, you remember I was asking

you what indicators you considered particularly when deciding it was time to put on the brakes, shall we say.

Mr. RASMINSKY: We look at really the whole range of indicators reflecting the state of the economy, including all the information we have about the level of spending, actual and intended, of different sections of the community; the consumer spending; the level of business spending; the prospective level of government spending. We look at the various indices reflecting the output of the economy including, of course, the developments in the over-all measure of output in the form of the G.N.P., although that particular index is available only with a very considerable time lag which reduces its usefulness.

We look at other indices that are available more currently, and particularly the figures on employment and unemployment. We look at the behaviour of prices as reflected in the consumer price index and the wholesale prices and various other indices. We also naturally pay close attention to the developments on the external side of the economy, foreign trade developments and other developments affecting the exchange market and the balance of payments. I do not know that I have mentioned everything we look at but I think these are the principal things that we look at.

There are a certain number of other figures that I have not mentioned, such as figures on inventories, figures on new orders and shipments, figures on the mortgage market, N.H.A. approvals, housing starts, and so on.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I notice in another place in your evidence you used the phrase, I think, "to prevent an overloading of the economy." Now, what I was really trying to find out was how do you determine the economy is actually overloaded in the sense of too much demand being placed on its potential productive capacity—I mean immediately potential. I have in mind that unemployment itself may not be a very precise indicator.

Mr. RASMINSKY: The unemployment index itself, of course, is a very significant and important index which we naturally watch very closely. It is not necessarily a very precise indicator of the degree of pressure on the labour market because it is an aggregate index which reflects the over-all labour situation. At a time, for example, when the unemployment index was around 4 per cent, let us say, which in itself sounds like a rather high figure of unemployment, one might nevertheless, find—I believe, in fact, one did find—and that there were very definite shortages of labour, particularly skilled labour, including almost all skills and in some cases even other types of labour in economically important areas of the country. So that that particular index is certainly one that one watches but it is not necessarily one that tells a very complete story. Of course, an indication of overloading of pressure, apart from shortages of labour, for example, or particular bottlenecks in industrial capacity that emerge under conditions of high demand of pressure developing, is the behaviour of costs and of prices. If costs and prices are rising rapidly at a time when demand is high and rising, then at least there is a *prima facie* case of overloading of the economy.

Other symptoms of overloading of the economy that might emerge are a relative rise in the rate of imports. If the pressure of demand on domestic resources is rising to a point where it is pressing hard on the domestic resources, then this is likely to be reflected in an economy such as ours in a relative rise in

the rate of imports. There again one has to analyse and look at the details. This could be overcome in its effects on our total trade by special exports. For example, the very large grain crop coincident with a very strong export demand could prevent this overloading that I speak of, from being reflected in a deterioration of our trade balance, prevent it for a certain length of time, at any rate.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): But we have no really precise indices that would indicate that we are using our resources in the most effective way, even in regard to employment?

Mr. RASMINSKY: I am not sure that I understand what you mean by effective, Mr. Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What I mean is that you have, I presume, to consider the economy as it is without a consideration that a different allocation of human material resources might enable our economy to expand very much further without causing inflationary pressures.

Mr. RASMINSKY: Yes, I see what you mean. I think this is an extremely important side of the whole question of economic policy, including inflation control. The price rises that one wishes to avoid are, as your question implies, the result of the confluence of the demand factors and the supply factors in the economy. On the whole, I think that public policy has, looking back over a period of some years, perhaps been excessively preoccupied with the demand factors on the economy, and has tended not to pay enough attention to policies that will enable us to increase our output by increasing the efficiency of production, by improving the quality of resources, so to speak, that are brought to bear in the economic process.

I think one of the encouraging features of recent developments in public policy is that more attention is being paid to the need for policies that also bear on the supply side of the equation. I have in mind the broad range of policies that are designed to increase productivity; policies for the upgrading of labour skills, for example, for the increase of labour mobility; policies that have to do with improving industrial efficiency and the level of management and entrepreneurship. I do not mean to suggest that we have been entirely successful in these policies but I think it is encouraging that there is more and more realization of the fact that to make the economy work in a satisfactory way something more is needed than simply making sure the level of demand is, at all times, adequate.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I notice that the Economic Council of Canada seems to be rather doubtful about the effectiveness of monetary policies to control cyclical variations. It puts quite a lot of emphasis on time lags in the first place, and goes on to say, "Thus various authorities have suggested that monetary policy effects are mostly perverse during cyclical contractions, assuming monetary policy prior to the business cycle peak to be usually restrictive. A similar period of perverse effects has been identified during some expansions following the appearance of need for moderating the rates of rise of aggregate expenditure". Would you agree with that the response to monetary policy is not swift enough? I presume this is the point.

Mr. RASMINSKY: I think that one of the problems of monetary policy is the lag in the effects of monetary policy. Of course, the monetary managers are, presumably, as aware of these lags as others who write about them.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): They go on to say that. I might quote this. "...it is worth noting that central bankers who are usually regarded as being in the best position to assess the efficacy of monetary policy in promoting stability have traditionally tended to be modest in their evaluation of the effectiveness?"

Mr. RASMINSKY: Yes. Of course, all policies are subject to lags. Unfortunately, the future is not clear and one can not precisely foresee, either the course of events, or the effect of the policies that one adopts to alter the course of events. One of the consequences, or one of the inferences that is sometimes drawn from the description, from the sceptical attitude toward monetary policy which you quote from the report is one with which I certainly would not agree, namely, that monetary policy should give up the effort to be, so to speak, stabilizing in its effects, in the sense of trying to stabilize the expansion, and prevent excesses from developing.

There are some economists who are so sceptical about the effectiveness of monetary policy and so convinced of the irrationality of central bankers that they would say the policy for a central bank to pursue is to provide for a constant year in and year out increase in the money supply; not try to have a discretionary monetary policy but just provide for a growth of the money supply roughly equivalent to its estimate of the potential growth in the real output of the economy and let the economy adapt itself to that. That seems to me to be really an excessively simple way of looking at that question. I certainly would not agree with that prescription for monetary policy.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Rasminsky, to come back again to your evidence before the Porter Commission, marked as setting out the objectives of monetary policies which, as you quite rightly pointed out earlier today, your reference here really included the whole range of economic policies. You said, "While central banks feel a particular obligation for seeing that adequate emphasis is at all times placed on price stability in the consideration of public policies, there does not appear to be any basic incompatibility between price stability and other objectives of monetary policy." Now another of those objectives you set forth was a high level of employment.

Mr. RASMINSKY: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is it possible in periods of inflationary pressures for you to use monetary policy to curb inflationary pressures without, at the same time, creating a certain increase in unemployment? Using your traditional methods, I mean.

Mr. RASMINSKY: I would hope, Mr. Cameron, and not only hope but believe, that monetary policy, if properly used in conjunction with other public policies, could be successful in achieving the result that you name; that is to say, to curb inflationary pressures or prevent inflationary pressures without producing unemployment. In the sense of a definition, in a situation of inflationary pressure you have a condition of labour shortage; a condition of more than full employment which can only last for a certain length of time without peaking up into something that will inevitably cause a downturn.

The objective of public policy is certainly not to cause unemployment. When it sets out to curb inflationary pressures the objective is to keep the

economy expanding at a sustainable rate which will not peak up and then fall back again and cause unemployment.

You will have noted that I mention monetary policy when used in conjunction with other public policies. I certainly do not think that monetary policy can do or should be expected to do the whole job alone.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What other public policies for the curbing of inflationary pressures would you make reference to in addition to monetary policy?

Mr. RASMINSKY: So far as public policies are concerned, I think that I would have particularly in mind fiscal policies; policies related to government expenditures and taxation; policies related to the management of the public debt. These are policies that have over-all effects on the aggregate level of demand in the country, and on the level of credit conditions that are of the same broad pervasive general character as the effects of monetary policy. In addition, of course, there is the whole range of policies that affect what you have referred to as the supply side of the economy. Unfortunately, these policies affecting the supply side of the economy, although they are of great basic importance, are much slower working in their effects. That is, I think, the general range of public policies I have in mind although there are other public policies too, that have a bearing on the situation, policies affecting the international flow of goods; policies affecting the ease of movement of goods across international borders also can have an effect on the inflationary condition of the economy.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): But you feel it is possible to curb inflationary pressures without inflicting an undue hardship on certain sectors of the community?

Mr. RASMINSKY: I do, Mr. Cameron. I think it is of such vital importance that we should seek to attain these two objectives simultaneously of high employment and monetary stability: that this seems to me to be the main problem on which public policy should be focused. I am certainly not prepared to give up the hope of attaining these two simultaneously or to try to work out some trade off formula as to what degree of inflation is worth inflicting on the community in order to keep an expansion going a little bit longer. I believe that this really is the type of problem that one runs into.

It is possible that a willingness to accept a certain degree of inflation will keep an expansion going—I am talking now, quite generally—a bit longer, so over a relatively short period of time one might say that here there is really a conflict. But, it does seem to be that the task of public of policy is to take a longer view of that. If one does take a longer view of it, I do not think an inflationary system is basically viable. I do not think one can have constant inflationary pressures without the economy seizing up and going into a recession at some stage or other.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Has there not been a fairly steady inflation over a comparatively lengthy period of time coincidental with our economic expansion?

Mr. RASMINSKY: I would not have said that, Mr. Cameron. If you look at the paper that I submitted to the joint committee on consumer credit, you will see that I included there a table giving some international comparisons of the

Canadian experience and the experience of other countries. If one takes the whole period of this expansion from 1961 to 1966, and compares the experience in the ten leading industrial countries, of which we are one, one finds that the average total output in Canada was the second highest. Only in Japan was the average total output higher. Also the per capita output during this period was very high. It was in the same relative position in Canada. The annual rate of increase in the Canadian consumer price index was the second lowest. Only in the United States was the average annual increase lower. In the United States it was $1\frac{1}{2}$ per cent per annum. In Canada it was 2 per cent per annum. This table is on page 2 of that paper.

I do not think that it was an accident that in the first several years of this expansion we combined relative price stability and strong economic expansion. I think that the two things went hand in hand. It is only in the last year or so when our price performance has deteriorated that doubts have arisen as to the continuance of the economic expansion.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): The 2 per cent increase was an average over the five year period, was it?

Mr. RASMINSKY: That is right; two per cent per year.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You would not consider that an acceptable increase?

Mr. RASMINSKY: In my position, Mr. Cameron, I do not consider any price increase really acceptable. I consider that the two per cent increase on the average of this five year period much better than the 4.3 per cent increase we had in the consumer price index over the past 12 months. By international standards the 2 per cent, as I indicated before, was a fairly good performance.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Could you have prevented the 2 per cent increase without slowing down the expansion and causing unemployment.

Mr. RASMINSKY: I think that if earlier on we had done some of the things on the supply side, paid a great deal of attention to efficiency, to productivity, to the development of the skills that were needed, we could have had this increase in output with a smaller increase in prices, or a larger increase in output with this or a smaller increase in prices.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would the same argument not apply to the present time; that what we should be seeking is improving our industrial productivity.

Mr. RASMINSKY: I certainly think we should be constantly seeking that, Mr. Cameron.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Rather than in any policies which may result in a contraction. Have we enough time to spare to inaugurate such policies of promoting better productivity?

Mr. RASMINSKY: These are slow acting policies, Mr. Cameron.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes.

Mr. RASMINSKY: I do not think that one can suspend the operation of the general economic policies that bear on the total level of demand in the economy

in order to give these other policies time to work. I think one would get into trouble if one was to approach it in that way.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): The dilemma it seems to me that this leaves us in is that if what I might call contracting policies are pursued it becomes that much more difficult to inaugurate the policies to improve productivity, does it not?

Mr. RASMINSKY: When you refer to contracting policies, Mr. Cameron, you are—

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Well, containing, shall I say.

Mr. RASMINSKY: It is true that certain industries have contracted, but the overall deployment of the basic economic policies has certainly not had a bad character. All that has been attempted has been to limit the rate of increase to levels that are within the capacity of the economy to make good in real form, that is in the form of goods and service. That, as I understand it, has been the objective of policy.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes, but I notice that we are always told that in periods of inflationary pressures we cannot embark on the sort of policies that are required to improve productivity because of the necessity of adopting at least partly restrictive policies. On the other hand, when we are faced with the opposite situation we are told that we cannot afford it; that the economy has to be stimulated.

Mr. RASMINSKY: I am not fully aware of what you are trying to say.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): We have not much choice. It always seems to be jam tomorrow; jam yesterday, jam tomorrow, never jam today.

Mr. RASMINSKY: Well, there has been quite a bit of jam around Mr. Cameron. The economy has in fact done very well. We have made fairly substantial progress on these policies on the supply side.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I suppose we have, but still surely the—

Mr. RASMINSKY: There is a lot left to be done.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes. The existence at the same time of a considerable measure of unemployment and a shortage of skilled labour, shall we say, indicate that there has not been too much progress in that aspect of improving our productivity, because that particular aspect would require public expenditures of considerable volume, and can they be undertaken at a time when it is necessary to pursue restrictive policies?

Mr. RASMINSKY: The choice of what the objects of expenditure should be as between one thing and another, of course, is a matter of government policy on which I am sure you would not expect me to comment.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): No, no.

The CHAIRMAN: Mr. Cameron, I think that you seem to have finished your questioning at this stage. Now I would like to recognize Mr. Grégoire, although I

am told that this afternoon when Mr. Laflamme was in the chair he had a number of extensive supplementaries.

(Translation)

Mr. GRÉGOIRE: I would like to return to this point which was mentioned this afternoon, that is the financing of public assets by the Bank of Canada, and to sum up the situation. You stated then that a loan of \$500,000,000 from the Bank of Canada to the federal government, the provincial or municipal governments, would cause a disequilibrium in the economy. But I would also like to say that for the last year for which we have complete figures, chartered banks, from 1964 to 1965, I do not have the figures for 1966, have increased their loans or their liabilities by \$1,900,000,000, and this does not cause any imbalance in the economy. How can you compare the two, a loan, and say that a loan of \$500,000,000 from the Bank of Canada to a government would cause disequilibrium in the economy, while the other would. This would be an additional \$320,000,000 because the Bank of Canada has already increased the bank notes in circulation by \$180,000,000. Would this really cause an imbalance in the economy?

(English)

Mr. RASMINSKY: I think the answer to your question is yes, that it would have a bad effect. The addition by the purchase by the Bank of Canada of an extra \$500 million of assets of any sort, whether they are securities of the government of Canada, or provincial securities or municipal securities or anything else that you care to think of, would have the effect of increasing the cash reserves of the banking system by that amount. That increase, as I pointed out to Mr. Thompson in reply to his similar question this afternoon, is nearly three times the average annual increase in the total assets of the Bank of Canada over the last five years. Consequently, the cash base available to the credit system would, instead of increasing at a rate of 8 per cent over the year, as represented by the \$180 million, would increase at a rate of 25 or 30 per cent, as represented by the figure of \$500 million or \$500 million plus the \$180 million. Consequently, this would facilitate an expansion of credit throughout the economy among the chartered banks and other non-bank financial institutions, which would enable these institutions to add to their assets three or four times the amount that you mentioned was done by the chartered banks during the last 12-month period; and would certainly have the effect of unbalancing the economy.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, if the \$155,000,000 in notes in circulation added in 1965 after 1964—has enabled the banks to have deposits of \$1,900,000,000, that is, twelve and a half times, \$500,000,000 being three times more, would have mean deposits or loans in the bank of three times that much. Is this what you have just explained?

(English)

Mr. RASMINSKY: In addition to that, there would also be an expansion, at least as great, and probably proportionately greater, in the so called near banks, in the assets and liabilities of other financial institutions, because those from whom the chartered banks acquired the assets would include some who kept some of their investments in the form of deposits with these institutions;

and as these deposits flowed in, the cash reserves held by these other institutions would also increase. Therefore, the situation would be even worse than you have described.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, when the banks increased their reserves by \$55,000,000, this has enabled them to give loans, to increase their deposits by \$1,900,000,000, where did the banks get the difference between the two to lend this money?

(English)

Mr. RASMINSKY: In order to be able to make the loan to acquire an asset the bank has to be able to attract deposits. It is the case that if the Bank of Canada increases the cash reserves of the commercial banking system, this will enable the system to expand—the whole credit system, including the commercial banking system—by a multiple of the reserves injected by the Bank of Canada. Any individual bank making a loan, must, of course, be in a position to meet the withdrawal of the deposit.

As I have mentioned before, people do not borrow from banks for the purpose of leaving the money on deposit with the bank. That is a losing proposition. They borrow from banks to make payments, and the bank must be in a position not only to meet that withdrawal but also the withdrawal of its existing deposits, and in order to be able to retain the asset that it has acquired the bank must inspire enough confidence in people and offer attractive enough rates of return so that people will be prepared to lend money to the bank, and that is, in fact, what holding a deposit with the bank consists of.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, when I speak of banks, I speak of the eight chartered banks in general, and in this context, the eight chartered banks altogether compete with one another. Deposits go from one to the other. When the chartered banks, and I return to my question, when the chartered banks benefit by a new issue from the Bank of Canada of \$155,000,000 in notes, as mentioned in the statistics we have here, this enables them to grant global loans of \$1,900,000,000. Where do they take the difference in money during the year? I mean, all the banks together?

(English)

Mr. RASMINSKY: I am sorry, Mr. Grégoire, I do not understand your question. My colleague tells me that it is a question which I have already answered.

Mr. GRÉGOIRE: Oh, no; I have not received the answer, at any rate.

(Translation)

The CHAIRMAN: Will you repeat your question, Mr. Grégoire?

Mr. GRÉGOIRE: Mr. Rasminsky, I could sum up my question as follows: the Bank of Canada issues \$155,000,000 in Bank of Canada notes. At the end of the year, we note that this has enabled the banks to lend \$1,900,000,000 more. Where have the chartered banks taken the difference between \$155,000,000 and

\$1,900,000,000 to lend \$1,900,000,000, and not simply \$155,000,000, which they have received?

(English)

Mr. RASMINSKY: I think the only answer that I can give is that the process of credit expansion in the financial system, which was initiated, in your hypothesis, by the Bank of Canada, led to an increase in the volume of credit transactions throughout the economic system.

In the case of the chartered banks, this led, in the final analysis, to the chartered banks going into debt to their depositors to the extent that you have indicated, and it is because they were successful in going into debt, in attracting deposits to them, that the banks were able to add to their assets in the way that you have indicated.

Every financial institution, I suppose, is at all times trying to grow, like any other business, and growth, in the case of a financial institution, consists in borrowing and in lending. That is the process. The difference between the position of the banks and the position of most other financial institutions is that under the Bank of Canada Act and the Bank Act, the banks are subject to some statutory limit on their growth, which is provided by the requirement that they should maintain certain legal cash reserves, where some of the other non-bank financial institutions are not subject to such statutory limits.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, this is the same as the question which I asked yesterday, which comes first, the loans or the deposits?

The CHAIRMAN: Mr. Grégoire, I do not wish to restrict your questions, but I think that I should not allow the Committee, any member of the Committee to repeat questions, as you are not an official member of the Committee. You have certain rights, but I must give everyone equal opportunity.

Mr. GRÉGOIRE: Mr. Chairman, I am not an official member of the Committee, but the Rules of the House state that official members or not, we have the right to ask questions the same as anyone else and the only right that we do not have is to make motions, to second them, to move amendments or to vote.

I have not tried to make motions nor to vote, nor to propose amendments, but I have the same right to ask questions as anyone else, I have not abused my right and this is my second turn, the first time it was twenty minutes, and the second time will be twenty minutes, the same as Mr. Cameron who had two turns. I object to what you have just stated because I was not an official member of the Committee. That is true, but I am not abusing the limit of my rights and privileges as a Member of Parliament, I have the right to come here and ask questions and I object to your statement.

The CHAIRMAN: I take your objection in the manner in which you have made it, but your objection is not stated in the right terms, because there is a limit to your right and this limit is that the Committee can limit the form and the time for questions.

Mr. GRÉGOIRE: Then, Mr. Chairman, if you wish to limit my questions, you...

The CHAIRMAN: No, I did not limit your questions, but I simply want to give you the same right as given to those who wish to work here and it is not

necessary for anyone to repeat the same questions continuously. This is the sense of my observations.

Mr. GRÉGOIRE: Mr. Chairman, this question was asked yesterday by me at the end, before the adjournment, and I think I did not get an answer to my question. If you read the proceedings of the Committee, you will see that when the meeting adjourned, I had not received an answer to my question and I want to have a more detailed reply, and that is why I am asking this question again, as yesterday, I mentioned that I did not receive a complete reply yesterday.

The CHAIRMAN: I will give the Governor the privilege of saying whether or not his answer was complete enough.

(English)

Mr. RASMINSKY: Obviously it was not complete enough to satisfy Mr. Grégoire, but I am afraid that I cannot improve on it.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, I have here a pamphlet from the Royal Bank of Canada and I would like to read just one line from it, I have it in English and in French:

(English)

"Bank deposits are expanded when the banks buy securities or make loans".

(Translation)

Does not this involve that loans come first and that because of the loans, those who take advantage of these loans make deposits, and this, in the same bank or in another bank?

(English)

Mr. RASMINSKY: Mr. Grégoire, you will notice that the next paragraph of the document from which you are quoting reads, "But this is not the whole story. If it were, the stroke-of-the-pen critics of the banks would have a case."

(Translation)

Mr. GRÉGOIRE: Therefore, Mr. Chairman, I will read the whole paragraph to show that the sentence which Mr. Rasminsky has just read does not apply to the sentence which I have read myself and in the circumstances, I believe that I should read the whole paragraph which is about nine lines long and you will note that this other paragraph does not apply to what I have read:

(English)

"...bank deposits are expanded when the banks buy securities or make loans, because the parties who sell securities to the banks, or get loans from them, deposit the proceeds with the banks. In other words, as a general rule, banks make loans and pay for securities not by issuing bundles of currency but by crediting the deposit accounts of the borrowers or sellers, thereby increasing total deposits. Bank deposits are contracted when loans are paid off, or when the banks sell securities, because the repaying borrowers, or the buyers of the securities, write cheques in favour of the banks thus authorizing the banks to debit their deposit accounts, thereby reducing total deposits. In short, it would

appear that banks by buying securities or making loans cause deposits to rise and by selling securities or reducing loans cause deposits to fall.

But this is not the whole story. If it were, the 'stroke of the pen' critic of the banks would have a case." I think that this last sentence is related to the last sentence of the paragraph and not to the first one which says "Bank deposits are expanded when the banks buy securities, or make loans. . ." and I stop there.

Mr. RASMINSKY: Mr. Grégoire, I certainly would not attempt to interpret the brochure of the Royal Bank. You will have an opportunity, I suppose, to question them on what they meant. I must say that in my reading of it I thought they meant that separate, small paragraph, about which we are talking, to relate to the whole of the preceding paragraph.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, therefore, does not paragraph 39 of the brief presented by the Bank of Canada to the Royal Commission on Banking and Finance, mean exactly the same as what is in here?

(English)

Mr. RASMINSKY: What paragraph did you say, Mr. Grégoire?

Mr. GRÉGOIRE: Thirty-nine.

(Translation)

Mr. GRÉGOIRE: I will read in French the last part of the paragraph:

Assuming no other factors are at work to change the cash reserves of the system, this process of expansion of chartered bank assets and liabilities will continue until the expansion of deposits reaches the point where all the added cash reserves are needed to meet the banks' minimum legal requirements. Other things being equal, this will happen when total deposits have risen by \$100 million.

Does not this confirm what is contained in the other document?

(English)

Mr. RASMINSKY: Just as one had to read the two paragraphs of the other document together, I think one has to read, this whole document together, Mr. Grégoire.

May I draw your attention to paragraph 43 which follows, by a couple of paragraphs, the paragraph from which you have quoted, where we say: "How foregoing rather mechanical and oversimplified example indicates how the injection of additional cash reserves by the central bank percolates through the system and induces one bank after another to increase its assets and liabilities until the full potential of the extra cash is used up, and how it is also likely to result in some expansion of near bank assets and liabilities."

I think the difficulty, Mr. Grégoire, in focusing on the asset side of the picture, as you have done—and as I have been unwilling, in the course of your questioning, to do—is that I believe that it gives a wrong impression of what the financial and banking processes consist of. I think one has to look at both sides of the picture.

The situation is not that a certain amount of cash is given to the banks and then they can go merrily off and acquire $12\frac{1}{2}$ times that amount of assets. If that

were the situation, and there was nothing else involved, then this would in fact be a very pleasant situation for them. The position is that the provision of a certain amount of cash enables the banking system to add to its assets if, at the same time, it can attract liabilities—if, at the same time, it can borrow money from the public. That is why I insisted in my reply that you must look at both sides of the balance sheet at the same time; that it leads to a wrong impression of the monetary process to focus on one side only.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, in paragraph 39, before that which I have just mentioned, the banking process you have just mentioned is illustrated. The assumption is made that the Bank of Canada has taken steps to increase cash reserves by buying from a broker shares to the amount of \$8,000,000. Later the effects this would have are discussed. The effect does not stop by the increase in assets and liabilities of the bank because the bank now has excessive cash reserves and it can increase its productive assets, it can take the greater part of its \$8,000,000 in shares. When the chartered bank pays these shares, it loses part of its cash reserves, unless it has bought them from one of its own depositors and this depositor having then deposited this amount in his account. Even if, in fact, the bank loses almost all the \$7,000,000 in cash reserves, this will not be a loss for the whole of the banking system. The funds will be deposited in another chartered bank which will be in the same position as the first, at the moment when the cash reserves increase. Therefore, although the cash reserves of the banking system increase by only \$8,000,000, the deposits of chartered banks have already increased by \$15,000,000, and in the banking system, there is always a cash reserve over the amount. And this is my question. In fact, this means that when the Bank of Canada increases the cash reserves of the chartered banks by \$8,000,000, this enables the banks, without any other guarantee, without any other counterpart, to increase at the same time its loans and deposits up to \$100,000,000,000. Is it true?

Mr. RASMINSKY: It is the case that the cash reserves provided by the central bank constitute a limitation on the growth of the banking system, and there will be a fairly constant relationship between the amount of cash reserves and the total of the assets and liabilities of the banking system. This is certainly true.

Of course, in so far as any particular bank or financial institution is concerned, as we point out in paragraph 42, it cannot participate in the expansionary process until it acquires additional cash reserves as a consequence of its customers increasing their holdings of its obligations. In other words, no bank can participate in this process unless it is able to borrow from the public.

Mr. GRÉGOIRE: But I am always speaking about—

Mr. RASMINSKY: Mr. Grégoire, the monetary process—

(Translation)

Mr. GRÉGOIRE: I am still speaking of all the chartered banks together. When the Bank of Canada issues \$8,000,000, this enables the chartered banks to increase their loans and their deposits by \$100,000,000, and if the Bank of Canada does not issue this \$8,000,000 in liquid reserves, then the chartered banks will not have the capacity of increasing their deposits and loans by \$100,000,000. Is this true? I am speaking of all the banks as a whole.

Mr. RASMINSKY: Yes, I appreciate that. The monetary process, as we envisage it in the Bank of Canada, does not consist of trying to produce a banking system of a certain size. I have indicated to the Committee several times before that what we are concerned with is the appropriateness of the credit conditions; that is, the rates of interest, the availability and the terms of credit in the economy. This is the matter to which our attention is directed.

When we expand the cash base this permits all financial institutions, banks and non-banks alike, to increase their scale of operations. There is a limitation, and essentially their operations are similar. In a sense the financial process consists of a continuous struggle, among all the institutions participating in the financial system, for cash reserves; and the form that that struggle takes is competition for deposits. This depends upon maintaining confidence in the institution and on the terms that are offered on various types of deposit liability. Therefore, this expansion process will affect all financial institutions, including the chartered banks.

The chartered banks are limited in the extent to which they can participate by the fact that they are required by law to hold a certain percentage, to hold cash in the form of deposits with us, or our notes, against their Canadian dollar deposit liabilities, whereas the other institutions are not subject to this limitation. However, the chartered banks, as such, derive no advantage from central bank credit expansion, which is not equally derived by other competing institutions. They have to pay interest on their deposits just as other financial institutions do and unless they attract deposits they cannot take part in the expansionary process.

(Translation)

Mr. GRÉGOIRE: Mr. Rasminsky, if a trust company, for example, when you issue \$8,000,000, if a trust company or a caisse populaire finds itself, takes all of this \$8,000,000 because it is the organization which sells the shares, the trust company or the caisse populaire cannot deposit it in the Bank of Canada as the chartered banks could.

Mr. RASMINSKY: There would be no advantage to them in doing so. In some cases the cash reserves of the institutions to which you refer result in interest payments to them. They are interest earning. We do not pay any interest on the cash reserves with us.

(Translation)

Mr. GRÉGOIRE: But if this organization, whether it be a trust company or a Caisse Populaire, keeps it, is this institution able, because it has this 8 million dollars, to increase its loans and deposits up to 100 million dollars like the chartered bank is able to do, as you have mentioned just now?

Mr. RASMINSKY: Mr. Grégoire, may I draw your attention to the fact that the cash reserves of the trust companies, taking the example you mentioned, are 2.9 per cent and the cash reserves of the credit unions and the caisse, when netted out, are probably 5 or 6 per cent. In spite of the fact that these institutions are not members of the central reserve system, the rate of increase in their business, over the past five years, has been very substantially greater than the rate of increase of the chartered banks. The trust companies' business has increased between 1960 and 1965 by 169 per cent, and the business of the credit

unions and the *caisse populaire* has increased by 94 per cent; whereas, the chartered banks' business has increased by 45 per cent. If membership in the fractional reserve system conferred on the chartered banks the enormous advantage that you refer to, how would you account for the much greater rate of growth of the institutions with which they compete?

(Translation)

Mr. GRÉGOIRE: This is very easy, Mr. Rasminsky. One only has to look at who the trust companies are, how many are controlled by the chartered banks, how much investment is made by the chartered banks in the trust companies, and we will see this when the questioning veers on this. Whether it be the Montreal Trust or the Royal Trust, we will be able to see that even these increases are due in part exactly to the investments of the chartered banks in these companies.

Mr. RASMINSKY: If I may comment on that, Mr. Grégoire.

The CHAIRMAN: I would like to say, if we have reached the stage where you are asking Mr. Grégoire questions, perhaps it would be convenient to give the floor to someone else because we must try and divide the time in a reasonably fair manner. Therefore, I would like to recognize Mr. Leboe.

Mr. LEBOE: I have not too many questions but I thought for some time that I might be able to help the Committee out on the question before us. I suspect that Mr. Grégoire is trying to elicit from the Governor of the Bank of Canada the same expression he has used in this little document—I think the governor will be quite acquainted with it—called "Money Facts", the result of a committee study in the United States on banking.

Mr. RASMINSKY: I do not know the document, Mr. Leboe.

Mr. LEBOE: Well, anyway, to whom has the congress delegated this money creating right? I think what Mr. Grégoire is after is the answer to the question whether the banks actually do create money to lend to the public. They actually do create that money to lend to the public, otherwise there would not be an increase in the money supply to the extent that you are worried about, as far as the proposition we were talking about this afternoon is concerned. So they actually create the money, do they not? This is the testimony of Graham Towers. This is in this document which is—

Mr. RASMINSKY: What testimony of Mr. Towers are you referring to?

Mr. LEBOE: Back in 1939.

Mr. RASMINSKY: I must look it up.

Mr. Leboe: Yes. Am I not right that this is the answer you were looking for; that they do actually create money.

Mr. GRÉGOIRE: Yes.

Mr. LEBOE: The explanation the Governor gave us was fine. I appreciated it very much. Another little document I could send over to him is by Robert P. Anderson, Secretary of the Treasury of the United States, which is very revealing and on that very same subject, if you would like to see it.

Now getting back to what I had in mind as far as questions are concerned. I was interested in following along the line that you were just discussing. I should

preface my remarks by saying these hearings are going to be read by a great number of people, I suspect, because this is one of the things people are interested in particularly, the decennial revision of the Bank Act.

Mr. RASMINSKY: A best seller?

Mr. LEOBE: It might be a best seller at that, particularly at this time. I am going to ask Mr. Rasminsky if he can give me some definitions in simple language which the average reader will have no trouble understanding, if he does not mind.

Mr. RASMINSKY: If they are very simple they will probably be wrong.

Mr. LEOBE: I would like to have an explanation of the difference between deposits with respect to the chartered banks and with respect to the near banks, in simple terms.

Mr. RASMINSKY: The first thing to bear in mind, Mr. Leboe, about a deposit, is that it is a liability of a bank and not an asset. A deposit arises when some individual or corporation decides to entrust funds to a financial institution, taking in exchange some evidence of indebtedness. The characteristics of this evidence of indebtedness may differ. A deposit may be a current account which is ordinarily, in most cases, non-interest bearing and against which cheques can be drawn, or it may be a savings account, or it may be, in the case of a chartered bank, a deposit certificate bearing interest at a certain rate and having a certain maturity. Maturity would vary according to the requirements of the investor and the rate of interest would vary. Or, we would regard as a deposit an instrument of indebtedness of a bank which took the form of a bearer discount note. It is an instrument which the banks have been issuing over the past year or two. Other financial institutions, other than banks, put out deposits or accept deposits, accept obligations in various forms. In some cases they are chequable; in other cases they require notice of withdrawal; in some cases they are referred to as guaranteed investment trust certificates and have certain assets segregated against them. This is not a complete list, but these are examples of the various types of liabilities that the financial institutions incur to the investing public which can in a generic way be described as deposits.

Mr. LEOBE: Would you include, sir, the situation where I go into a bank—I hope some day will come that I can do this—and I borrow \$5,000 from the bank and it immediately becomes a deposit.

Mr. RASMINSKY: If you borrow \$5,000 from a bank and the bank credits that \$5,000 to a deposit account, that will be a deposit, yes.

Mr. LEOBE: Now, this is the point which Mr. Grégoire was trying to get at.

Mr. RASMINSKY: I recognize some similarity.

Mr. LEOBE: Now, with regard to the bank, this last situation does not apply in the same sense as it does with the chartered banks where you have the right to expand the money supply—

Mr. RASMINSKY: May I ask why not?

Mr. LEOBE: Pardon?

Mr. RASMINSKY: May I ask why not? If you go into a trust company and raise a mortgage—borrow by way of mortgage from them, and the trust company credits the money to an account with them, that is a deposit.

Mr. LEBOE: Well, I may be misled—and you are asking me the question—and I understand that there has to be an equal deposit in the trust company in order for them to take the mortgage. They cannot, in the sense that Graham Towers has mentioned, and others have mentioned, of which I have given you some evidence, they cannot create new money which will have the effect that you mentioned, and which would be the effect that you mentioned in the case of the \$500 million which was referred to this afternoon. You said it would triple the money supply of the nation. Now, this money supply of the nation is created through the banking system. Am I not right in saying that trust companies have not that right to increase that money supply in the nation in the same way as the chartered banks?

Mr. RASMINSKY: I do not think anybody has any rights in this at all, Mr. Leboe. The question is one of how the financial process actually works.

Mr. LEBOE: Well, can they do it?

Mr. RASMINSKY: If I could ask you to look at the paper which we distributed yesterday called "Summary Balance Sheets of Selected Financial Institutions" and turn to page 2 under "trust companies"—since you have referred to trust companies—as you will see under liabilities, they have some demand deposits, some term deposits and certificates and certain other liabilities, and they have certain assets which they hold against these liabilities. Their balance sheet is essentially of the same character as a balance sheet of a banking institution. The trust company to be able to expand its assets has to be able to maintain adequate cash reserves so that it can meet its obligations.

Mr. LEBOE: That is the trust companies?

Mr. RASMINSKY: Yes.

Mr. LEBOE: Well, is it not on a 100 per cent reserve system?

Mr. RASMINSKY: Would you be good enough to look at the balance sheet.

Mr. LEBOE: I must say, having kept a set of books for a sawmill, I know what can be done with figures.

Mr. RASMINSKY: Mr. Leboe, I have more trust than you in the trust companies.

Mr. LEBOE: The question I put to you is simple. Are they or are they not on a 100 per cent reserve.

Mr. RASMINSKY: The answer is "No."

Mr. LEBOE: How much can they expand their credit without limits?

Mr. RASMINSKY: They can expand their credit to the extent that they are able to attract and retain deposits.

Mr. LEBOE: Suppose I am a new trust company and I have \$1 million on deposit, how much can I loan out?

Mr. RASMINSKY: Well, you have to make provision to meet cash withdrawals. If you are satisfied that you have made provision to meet cash withdrawals and have an adequate secondary reserve of liquid assets in case anything unexpected happens—

Mr. LEBOE: Let us say that \$100 million is the total assets that I have—the sum total—can I loan out say \$2 million? I am getting back to this deposit that was created—

Mr. RASMINSKY: I was afraid that you were.

Mr. LEBOE: I am getting back to this deposit which was created in the bank when I made the loan because I think there is a distinct difference here between what the banks can do and what the trust companies can do, regardless of what the figures say on this sheet, because there is a difference in that respect.

Mr. RASMINSKY: Well, all I can say, Mr. Leboe, is that I do not agree with you.

Mr. LEBOE: You say that there is no difference?

Mr. RASMINSKY: I say that essentially the business is the same.

Mr. LEBOE: I might agree with you that essentially the business is the same but, I am speaking now about the actual application of what the banks can do and what a trust company can do. I am not satisfied in any answer that you have given me that if I have a million dollars—that is my total assets—I am starting a company—I am going into the lending business—that I cannot loan one penny more than that million dollars, if I do not take in any more liabilities.

Mr. RASMINSKY: Well, certainly you cannot. Your assets must be equal to your liabilities. In that respect you are in exactly the same position as a bank.

Mr. LEBOE: Oh, yes, but when the bank opens up its business, and if it has cash reserves in the bank and I come along and make a loan, it immediately becomes a deposit.

Mr. RASMINSKY: That is right, and then the next thing you know you spend the money.

Mr. LEBOE: If I chose to deposit in another bank and somebody else spends the money in another bank then it comes into this bank; there is the offsetting entries there but the whole system carries the load. The individual banks have to go out and seek deposits in order to get their share of the cut. Am I correct?

Mr. RASMINSKY: Well, it certainly is true, Mr. Leboe, that there is a definite relationship under the present law of twelve and a half to one of the total of the deposit liabilities of the banks to their cash reserves required to be held at the Bank of Canada, so that if the question that I am being asked is: "What does twelve and a half times one amount to? Does it amount to 12 and a half"? The answer is: "Yes, it does amount to 12 and a half." That is a fairly constant relationship. That constitutes a ceiling on the extent to which the banks can increase their deposits, but I do not think that it follows from that that there is any essential difference in the position of the banks and these other financial institutions. The banks do not derive any advantage by way of profits from the fact that they are required to keep eight per cent in the form of cash reserves free of interest with the Bank of Canada.

Mr. LEBOE: You would not agree then that the fact that the trust companies offer greater returns on their deposits, and so do the credit unions according to information I have, than you get at the chartered banks, would have some

relationship to the amount of deposits that the near banks get because they pay more money for them.

Mr. RASMINSKY: That the trust companies and the caisses populaires pay more money than the banks?

Mr. LEBOE: This has been my general impression. Is that not correct.

Mr. RASMINSKY: I do not know. The banks are pretty competitive.

Mr. LEBOE: I have never known a savings account in the bank to bring seven and one half per cent, for instance, or seven and one quarter per cent but some trust companies—

Mr. RASMINSKY: You are certainly making my mouth water.

Mr. LEBOE: But on their ability to create a deposit by making a loan, as well as accepting other deposits, certainly it would seem to me that the banks are in a better position to pay more money for the depositors' money than a trust company.

Mr. RASMINSKY: Every individual financial institution is in exactly the same position. I should not say "exactly the same position", because the banks are required to hold larger non-interest bearing cash reserves, but forgetting about that—

Mr. THOMPSON: They are in the same position, except that one has to obey the Bank Act and the other one does not.

Mr. RASMINSKY: But in the matter we are talking about, Mr. Thompson, the requirements to obey the Bank Act is, if anything, a disadvantage for the banks, because they are required to retain larger non-interest bearing cash reserves than the other institutions.

The CHAIRMAN: I presume the others maintain only what they think is necessary to cover withdrawals?

Mr. RASMINSKY: That is right.

Mr. GRÉGOIRE: If they have the same privileges, why do they not form trust companies instead of banks? They are obliged to keep 8 per cent of their reserves without interest and they cannot charge more than 6 per cent interest. What is the idea of this?

Mr. RASMINSKY: It is true that more trust companies have been organized and started recently in this period we are talking about than banks.

The CHAIRMAN: I think we ought to yield the floor to Mr. Leboe, unless he wishes to yield to supplementaries.

Mr. LEBOE: Since time is running out and, Mr. Thompson and I have really had a pretty good go at this, I will be fair and yield to someone else.

The CHAIRMAN: The next person on my list is Mr. McLean.

Mr. McLEAN (*Charlotte*): Mr. Rasminsky, my banking experience goes away back when you worked for the bank for three days and got one day's pay. It was before the Bank of Canada, and we did not have all these profound questions and profound answers. What I am going to ask is very simple. If you ask

any question about gold, you are supposed to be some kind of a nut, but the question of gold—

Mr. RASMINSKY: I found out this is true only if you try to reply to the question.

Mr. McLEAN (*Charlotte*): In Canada, the price of gold has really got a lot to do with the mining industry. It not only affects the gold mining industry, it affects base metals as well and, there is ore being left in the ground today that should come out, and is not being taken out. When I asked a question the other night about why the price of new mined gold could not be doubled in Canada, you said it would devalue the Canadian dollar, at least I think that is what you said. If that devalues the Canadian dollar, would this make for inflation in Canada and secondly, would it increase or decrease prices in Canada or, would it have no effect whatever internally.

Mr. RASMINSKY: The answer to the first question is yes in the present circumstances, it would make for increased inflation in Canada. The answer to your second question is that it would result in higher prices in Canada.

Mr. McLEAN (*Charlotte*): How could it, if it is all done internally?

Mr. RASMINSKY: But you asked whether depreciation—

Mr. McLEAN (*Charlotte*): It is our new mined gold in Canada, not outside Canada, but in Canada. If we pay more for gold and that could enter into our banking system, 25 cents worth of gold backed the dollar and the purchasing power of our dollar has gone down to 40 cents, how could it devalue the dollar and, how could it lead to inflation? When President Roosevelt changed the price of gold in the United States from \$26 to \$27 to \$35 an ounce, the prices the day before and the day after were exactly the same. The only thing it did was restore world trade, which was disorganized.

Mr. RASMINSKY: Mr. McLean, I think to answer the question properly, I would have to refer to our relationship to the International Monetary Fund. Canada is a member of the International Monetary Fund, we have declared a par value with the International Monetary Fund and, we have defined the value of the Canadian dollar as 92½ cents in American dollars of the weight and fineness of June 30, 1934 or, whatever the date was. Though Canada is not on the gold standard, we could not consistently with our obligations to the International Monetary Fund cause a uniform increase in the price of gold paid in Canada.

Mr. McLEAN (*Charlotte*): We are paying it at the present time, only we are taxing everyone to pay for the gold. It is costing us more than \$35 an ounce to get the gold out of the ground at the present time, yet we are turning that gold over to the United States for \$35.

Mr. RASMINSKY: Mr. McLean, this is a matter on which I have some actual experience, because at the time of the original subsidy, under the Emergency Gold Mining Assistance Act, the original proposal was to pay a uniform subsidy of so much per ounce. No one had ideas as ambitious as you apparently have, as to what the amount should be, but there was a—

Mr. McLEAN (*Charlotte*): Because our dollar has gone down over 50 per cent; that is the reason I say double gold. Gold is supposed to be a store of value.

Mr. RASMINSKY: There was originally a proposal to have a uniform modest increase in the amount paid to Canadian gold miners, but the fund took the position that that would constitute a partial or concealed devaluation of the Canadian dollar and, partly as a result of that, the present system which relates the subsidy to the difference between the cost of production and some arbitrary figure was devised.

Mr. McLEAN (*Charlotte*): Is not the answer simple, that we agree with the International Monetary Fund that we should not pay any more than \$35 an ounce in American funds for gold? Is that not the answer?

Mr. RASMINSKY: No.

Mr. McLEAN (*Charlotte*): Did we not agree, is it not right in the act?

Mr. RASMINSKY: No, it is not as simple as that, because we are, in fact, through the operation of the subsidy, paying the gold miners, certain relatively high cost—

Mr. McLEAN (*Charlotte*): That is not my question. I asked is it not in the act?

The CHAIRMAN: Mr. McLean, I think you should let Mr. Rasminsky finish.

Mr. McLEAN (*Charlotte*): I do not want these long answers, because we are just then going around and around. All I want is a simple answer.

The CHAIRMAN: That is the problem any member has when he asks a question.

Mr. GRÉGOIRE: Mr. Chairman, that is a problem we should not have, Mr. Chairman.

Mr. McLEAN (*Charlotte*): I would like to ask another question. Let us forget about the gold, because I think I got my answer. I know we agreed in the International Monetary Fund, and we really lost our sovereignty to the United States and, the United States dominates the International Monetary Fund. As far as we are concerned and, gold is concerned, we have lost our sovereignty.

I would like to ask another question. Does the Bank of Canada build their own buildings?

Mr. RASMINSKY: On occasion yes, sir.

Mr. McLEAN (*Charlotte*): Do they rent their buildings out to any one other than the banks?

Mr. RASMINSKY: On occasion, we rent space which is excess to our immediate requirements.

Mr. McLEAN (*Charlotte*): Is there any authority in the Bank Act for the Bank of Canada to go into the real estate business?

Mr. RASMINSKY: The provision in the Bank of Canada Act is identical with the provision in the Bank Act governing real estate.

Mr. McLEAN (*Charlotte*): There is authority in the Bank Act that the Bank of Canada can build buildings and rent them out to others and go in the real estate business?

Mr. RASMINSKY: The provision in the Bank of Canada Act governing our operations in our ownership of real estate is identical to the provision governing chartered bank operations.

Mr. McLEAN (*Charlotte*): I thought it said in the Bank Act, if my memory serves me well, that they could acquire premises. I am not in the real estate business but that has been a sore point with some real estate people, that the Bank of Canada is going into the real estate business. If you are in the real estate business you do not want the Bank of Canada against you.

The CHAIRMAN: There is a section in the Bank Act, section 83, formerly section 81 in the previous act, dealing with the question of acquisition of real property and if this is what you are referring to, Mr. Rasminsky, perhaps I will read it.

Mr. RASMINSKY: Yes, surely.

The CHAIRMAN: It is section 83 (1). This is in the proposed act, which I gather is identical for all intents and purposes to the old act. Mr. Elderkin says it is. Section 81 of the previous act reads: "The bank may acquire and hold real and immovable property for its actual use and occupation and the management of its business, and may sell or dispose of the same, and acquire other property in its stead for the same purpose." Then there is subsection (2): "The bank may hold real or immovable property (a) in the case of property acquired or held for its own use, for a period of seven years from the day on which it ceases to be required for its own use, as determined by the directors and (b) in the case of other property, for a period of twelve years from the day on which it acquired the property." And then it goes on to say what happens if it is held beyond those limits. Are there other provisions?

Mr. RASMINSKY: No, the provision in the Bank of Canada Act is identical to the first paragraph which you read out. The bank is satisfied that it has the authority to engage in real estate transactions.

Mr. McLEAN (*Charlotte*): Where is that in the act?

Mr. RASMINSKY: As I say, the terms are identical.

Mr. McLEAN (*Charlotte*): No. I read the act and I could not see where it was in the act. I just asked a question. Is it true, because some people who are really in the real estate business were complaining about it. I have looked at the act. I could not see where they could get into the real estate business.

The CHAIRMAN: If you are referring to the Bank Act itself, it is page 53. Perhaps I may ask a question at this point. You are not audited by the Auditor General; you have your own auditors?

Mr. RASMINSKY: Yes, we have auditors appointed by the Minister of Finance.

The CHAIRMAN: Have they ever questioned your real estate operations?

Mr. RASMINSKY: No, sir.

The CHAIRMAN: Has any third party ever attacked in the courts any leases you made?

Mr. RASMINSKY: No, sir.

The CHAIRMAN: Do you have any further questions?

Mr. McLEAN (*Charlotte*): In the operation of the bank, if the bank makes any profit it goes into the consolidated fund, is that true?

Mr. RASMINSKY: Yes.

Mr. McLEAN (*Charlotte*): Are there any restrictions on the bank as to how they spend the money before they put the balance in the consolidated fund?

Mr. RASMINSKY: You mean on our administrative expenditures?

Mr. McLEAN (*Charlotte*): Well, your spending of money. Is there any restriction on the bank?

Mr. RASMINSKY: In the act itself?

Mr. McLEAN (*Charlotte*): No. If you are free to build buildings, do this or that, or anything under the act?

Mr. RASMINSKY: The expenditures of the bank are under the control of the directors.

Mr. McLEAN (*Charlotte*): Not under the Auditor General?

Mr. RASMINSKY: No. The bank is audited by independent auditors appointed by the Minister of Finance under the provisions of the act.

The CHAIRMAN: I presume that you have to spend your money in accordance with the powers of your governing statutes?

Mr. RASMINSKY: Yes, indeed.

Mr. McLEAN (*Charlotte*): Well, we know some of the directors. We know what happened last time when the governor of the bank increased his retiring fund and nobody knew anything about it. Even the government said they did not know anything about it.

(*Translation*)

Mr. CLERMONT: Mr. Speaker, I think that this Bill C-190, this pension provision must be approved by the Governor-in-Council?

(*English*)

Mr. RASMINSKY: That is a provision in the new bill, yes.

The CHAIRMAN: Do you have other questions, Mr. McLean?

Mr. McLEAN (*Charlotte*): No, thank you.

The CHAIRMAN: Mr. Clermont is next.

(*Translation*)

Mr. CLERMONT: Mr. Rasminsky, do you believe that the Bank of Canada has sufficient means, or has enough power to influence the money supply by its own operations without its being necessary to impose on financial institutions other legal prescriptions regarding such and such a part of their assets or liabilities or to impose any direct control on the operations of financial institutions or other members of the community?

(*English*)

Mr. RASMINSKY: I think, under the existing and proposed legislation, our powers are adequate for the purpose of conducting monetary policy of the Bank.

(Translation)

Mr. CLERMONT: You mean with the present Act?

(English)

Mr. RASMINSKY: Under the act as it stands, as it will be amended, if parliament approves the amendments that are proposed.

(Translation)

Mr. CLERMONT: If Bill C-190 is adopted by Parliament in its present form.

(English)

Mr. RASMINSKY: Yes, I think that if parliament approves the amendments that are proposed in the Bank Act and in the Bank of Canada Act, our powers will be sufficient without any further changes of the sort that you have indicated.

(Translation)

Mr. CLERMONT: Mr. Rasminsky, in your remarks before the Joint Committee of the Senate and House of Commons on Consumer Credit, on page 15 of the French version, on the rate of interest, have you any comparisons with any other countries with regard to this table, let us say with the United States, Great Britain or France? Have you those handy, or could you get them later on if possible?

(English)

The CHAIRMAN: If you do not have the information readily available perhaps Mr. Clermont, as he suggested, would be satisfied if this were prepared.

Mr. RASMINSKY: I am not sure what information is requested. What is the information that you would like, Mr. Clermont?

(Translation)

Mr. CLERMONT: Comparisons such as your table indicates at page 15 of the French version of your report to the Committee on Consumer Credit.

(English)

Mr. RASMINSKY: You would like comparisons with other countries?

Mr. CLERMONT: Yes.

Mr. RASMINSKY: Yes, they can be supplied.

(Translation)

Mr. CLERMONT: Is the relationship between credit and these high rates a phenomenon that only takes place in Canada, or in the United States, or is it world wide?

(English)

Mr. RASMINSKY: It is a world wide phenomenon.

(Translation)

Mr. CLERMONT: Do you believe that the demand for credit in 1967 will be just as urgent as in 1966 in Canada?

(English)

Mr. RASMINSKY: I have no idea.

(Translation)

Mr. CLERMONT: I read an article recently by an American who stated that he believed that by 1967 the pressure for credit would be less than in 1966. But you have no idea of this?

(English)

Mr. RASMINSKY: No, there are a variety of views on this subject. I would not care to hazard an opinion, Mr. Clermont.

Mr. CLERMONT: In 1966, will the chartered banks increase their loans in Canada?

Mr. RASMINSKY: Yes, sir.

(Translation)

Mr. CLERMONT: Loans for industry, personal loans or consumer loans?

(English)

Mr. RASMINSKY: I would think that all categories of loans have increased. The banks' business loans in 1966 have apparently been increasing at a rate of about 7 or 8 per cent a year. The banks' personal loans have apparently been increasing at a rate in excess of that, perhaps 9 per cent or 10 per cent a year, in 1966. Most other categories of loans have also been increasing.

(Translation)

Mr. CLERMONT: Have loans to the consumer increased also? Is it true that they have increased 10 to 11%?

(English)

Mr. RASMINSKY: The personal loans, which I assume are what you mean by consumption loans, have, as I have indicated, also—

(Translation)

Mr. CLERMONT: But is there not a difference for the bank between a personal loan and a consumer loan, because I think there is a difference in the rate of interest?

(English)

Mr. RASMINSKY: The banks have various methods of making loans and it is difficult to say exactly what is the purpose of a loan. A loan on securities, for example, may be used for personal consumption. The only major definite indication that we have of personal loans, are the so-called unsecured personal loans, which are of the finance type, with regular monthly payments. With regard to these loans, as is known, the banks make certain service charges or other arrangements which result in a rate of interest higher than the rate of interest on business loans or loans on securities. I now see—I was doing some mental calculation before which has turned out to be inaccurate—that this type of loan in the first eight months of 1966 increased at an annual rate of $6\frac{1}{2}$ to 7 per cent.

The CHAIRMAN: I gather from the signal which Mr. Clermont gave that he has completed his questioning at this point, and I think it would be convenient to adjourn at the present time. I might for the record indicate my list. It stands in this order: Mr. Johnston, Mr. Moore, Mr. Lind, Mr. Fulton and Mr. Thompson.

Our next meeting will be Thursday morning at eleven o'clock, at which time we will have a change of pace because our distinguished vice chairman will be in the chair.

HOUSE OF COMMONS
First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. HERB GRAY

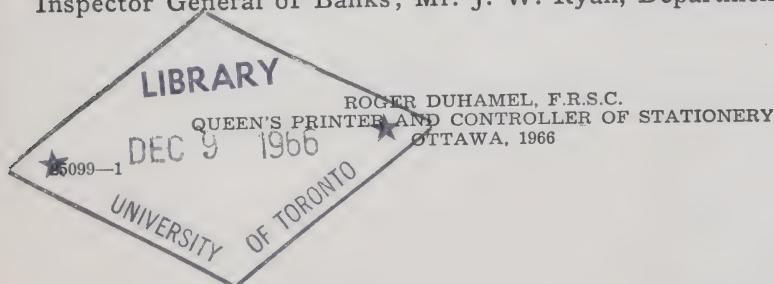
MINUTES OF PROCEEDINGS AND EVIDENCE
No. 21

THURSDAY, NOVEMBER 3, 1966

Respecting
Bill C-190, An Act to amend the Bank of Canada Act.
Bill C-222, An Act respecting Banks and Banking.
Bill C-223, An Act respecting Savings Banks in the Province of Quebec.

WITNESSES:

Mr. Louis Rasminsky, Governor, Bank of Canada; Mr. C. F. Elderkin,
Inspector General of Banks; Mr. J. W. Ryan, Department of Justice.



STANDING COMMITTEE
ON
FINANCE, TRADE AND ECONOMIC AFFAIRS

Chairman: Mr. Herb Gray

Vice-Chairman: Mr. Ovide Laflamme

and Messrs.

Addison,	Comtois,	Leboe,
Basford,	Flemming,	Lind,
Cameron (<i>Nanaimo-</i>	Fulton,	McLean (<i>Charlotte</i>),
<i>Cowichan-The Islands</i>),	Gilbert,	Monteith,
Cashin,	Irvine,	More (<i>Regina City</i>),
Chrétien,	Lambert,	Munro,
Clermont,	Lamontagne,	Valade,
Coates,	Langlois (<i>Mégantic</i>),	Wahn—25.

Dorothy F. Ballantine,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, November 2, 1966.

Ordered,—That the name of Mr. Wahn be substituted for that of Mr. Davis on the Standing Committee on Finance, Trade and Economic Affairs.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House of Commons.

MINUTES OF PROCEEDINGS

THURSDAY, November 3, 1966.

(36)

The Standing Committee on Finance, Trade and Economic Affairs met at 11.05 a.m. this day, the Vice-Chairman, Mr. Laflamme, presiding.

Members present: Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Clermont, Comtois, Flemming, Fulton, Gilbert, Laflamme, Lambert, Langlois (*Mégantic*), Leboe, Lind, McLean (*Charlotte*), More (*Regina City*)—13.

Also present: Messrs. Grégoire, Latulippe, and Thompson.

In attendance: Mr. Louis Rasminsky, Governor of the Bank of Canada; Messrs. J. R. Beattie, Deputy Governor; L. Hebert, Deputy Governor; G. K. Bouey, Adviser; R. Johnstone, Deputy Chief Research Department, all of the Bank of Canada; and Mr. C. F. Elderkin, Inspector General of Banks.

The Vice-Chairman presented the Fifth Report of the Sub-committee on Agenda and Procedure, dated November 2, 1966, which is as follows:

Your Sub-committee on Agenda and Procedure met at 4.30 p.m. this day and has agreed to recommend as follows:

- (a) That the Committee hear the presentation of the Canadian Bankers' Association on Tuesday, November 8th, and if further time is necessary for questioning, will continue to hear that Association on Thursday, November 10th;
- (b) The following are asked to stand by to present their briefs in the order listed after the Canadian Bankers' Association:

The Royal Bank of Canada

G. Arnold Hart, Chairman and President, Bank of Montreal

J. Douglas Gibson

The Mercantile Bank of Canada

Because of the difficulty of predicting how long the hearings on the Canadian Bankers' Association brief will take, it is impossible at this time to assign definite dates for hearings of the above-mentioned witnesses.

Your Sub-committee will meet again next week to study in greater detail the other briefs submitted and to assign dates for their hearings.

After discussion, the Committee agreed to delete the name of Mr. J. Douglas Gibson from the list as it is understood he has now retired from the Bank of Nova Scotia and is submitting his brief as a private individual. It was agreed to hear his brief later.

On motion of Mr. Cameron (*Nanaimo-Cowichan-The Islands*), seconded by Mr. Fulton, the report of the sub-committee was approved, as amended.

The Committee resumed consideration of Bill C-190 An Act to amend the Bank of Canada Act.

Mr. Rasminsky was called and questioned.

The witness tabled the following charts, prepared in answer to questions raised by members at the meeting of Tuesday, November 1st:

Interest Rates in Various Countries—in reply to a question by Mr. Clermont.

Assets of Selected Finance Institutions—in reply to a question by Mr. Laflamme.

Agreed.—That the documents tabled by Mr. Rasminsky be appendices to this day's Minutes of Proceedings and Evidence.

(See Appendices F and G).

Mr. Rasminsky was allowed to retire, subject to recall.

At 1.05 p.m. the Committee adjourned until 3.45 p.m. this day.

AFTERNOON SITTING

(37)

The Committee resumed at 3.55 p.m. this day, the Vice-Chairman, Mr. Laflamme, presiding.

Members present: Messrs. Clermont, Comtois, Gilbert, Laflamme, Lambert, Lind, More (*Regina City*), Valade—8.

Also present: Messrs. Caouette and Grégoire.

In attendance: Messrs. C. F. Elderkin, Inspector General of Banks; and J. W. Ryan, Director of Legislation Section, Department of Justice.

The Committee resumed consideration of Bill C-222, An Act respecting Banks and Banking.

Mr. Elderkin tabled a proposed amendment to the Bill, copies of which were distributed to members.

Mr. Ryan answered questions raised at earlier meetings, and the witnesses were questioned.

The Committee then proceeded to consideration of Bill C-223, An Act respecting Savings Banks in the Province of Quebec.

Mr. Elderkin explained the Bill, and was questioned.

At 5.05 p.m. Mr. Lambert took the Chair, at the request of the Vice-Chairman.

Mr. Elderkin continued and concluded his explanation of the Bill.

At 5.45 p.m., the Committee adjourned until November 8, 1966, at 11.00 a.m.

Dorothy F. Ballantine,
Clerk of the Committee.

Extract from Minutes of Proceedings Tuesday, November 8, 1966.

On motion of Mr. Laflamme, seconded by Mr. Gilbert,

Resolved,—That the evidence taken at the afternoon sitting on Thursday, November 3, 1966, be part of the official Proceedings.

On motion of Mr. Clermont, seconded by Mr. Leboe,

Resolved,—That the amendments to Bills C-222 and C-223 tabled by the Inspector General of Banks at the afternoon sitting of Thursday, November 3, 1966, be appendices to the Minutes of Proceedings and Evidence of that date. (*See Appendices H and I*).

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, November 3, 1966.

The VICE-CHAIRMAN: Gentlemen, I see a quorum. First, I would like to put before you the report of your subcommittee which met yesterday afternoon.

(See minutes of proceedings)

Mr. LAMBERT: Mr. Chairman, I think there is a misconception there. Mr. Gibson is no longer with the Bank of Nova Scotia.

The VICE-CHAIRMAN: I understand, and we will hold that name back.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): We were under the impression that he was appearing *ex officio* for the bank.

The VICE-CHAIRMAN: We will hold back the name of J. D. Gibson for the time being.

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, seeing that one of the difficulties about examination is to determine the difference between the banking institutions and the near-banks, would it not be a good thing, before we conclude our examination of the members of the banking institutions, to call at least one representative of the near-banks?

The VICE-CHAIRMAN: We are considering an amendment to the Bank Act and we are, first of all, hearing the Governor of the Bank of Canada, it was understood that the first brief we will hear after that will be from the Canadian Bankers' Association.

Mr. GRÉGOIRE: I have no objection to that but before we hear the representatives of the chartered banks, who are going to speak on behalf of their institutions, would it not be a good thing to have somebody after the brief presented by the Canadian Bankers' Association? Would it not be a good idea to have representatives of the near-banks so that we can determine what we have been trying to determine from the beginning, that is the difference between banks and near-banks?

(English)

The VICE-CHAIRMAN: We will refer that to the subcommittee.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I think we should point out that there has been an invitation to all organizations and individuals who wish to submit briefs, and I think our secretary, on instructions of the chairman, did write to some specific groups to see if they wished to bring representations. Anybody who wants to come can come.

(Translation)

Mr. GRÉGOIRE: But suppose someone has given their names.

The VICE-CHAIRMAN: Mr. Grégoire, if you will allow me, I am noting your suggestion and we will put it to the Steering Committee for next week. We still are trying to hear the brief of the Canadian Bankers' Association.

(English)

Mr. LAMBERT: Mr. Chairman, could I ask, through you, a question of Mr. Grégoire. Who would represent the near-banks? Are you speaking of the *Caisses Populaires* the lending companies? Who exactly would be the representatives? The Canadian Bankers' Association are an organized group and undoubtedly a representative from the Province of Quebec would not express the point of view of somebody who might come from an Alberta Treasury Branch, which is considered, after all, to be a near-banking institution. It seems to me there is some difficulty in drawing a line here around the representation from near-banks.

(Translation)

Mr. GRÉGOIRE: My idea is that it will be somebody chosen by the Steering Committee. It would not be somebody who represents a Province, but somebody who would represent the near-banks. He would come here and tell us what is the real difference between the near-banking institutions and the banks, no matter what organization or agency is involved.

(English)

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): On a point of order, Mr. Chairman. Mr. Grégoire should know that when the Committee was set up notices were sent out to invite all interested parties of any kind to submit briefs and to state if they wished to appear before the Committee.

We have, as a matter of fact, if my recollection is right, a brief from one of what could be called the "near bank" associations, one of the sections of the trust companies. Is it not the junior Trust Company Association?

Mr. LANGLOIS (*Mégantic*): I distinctly remember, Mr. Chairman, that they sent this brief in.

Mr. LIND: Mr. Chairman, did the motion read that we would hear the first presentation on November 10th?

The VICE-CHAIRMAN: Next Tuesday, November 8th.

Mr. LIND: And does the hearing continue on the 10th?

The VICE-CHAIRMAN: On the 10th we will continue the questioning on the brief presented by the Canadian Bankers Association.

Mr. LIND: Well, the problem of the 10th is that it is a holiday weekend, and it is going to be very difficult to get reservations out of here for people who have to go a little distance. There may be difficulty in setting a quorum if you have it on the 10th.

Mr. LAMBERT: Surely, Mr. Chairman, the morning of the 10th is still all right. There are obligations, and they can still make their reservations out of here on Thursday afternoon or Thursday morning—or is this going to be a week, Tuesday and Wednesday?

The VICE-CHAIRMAN: The holiday is on the 11th, not on the 10th. Would someone move that the report of your subcommittee on agenda and procedure be adopted?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I move that the report be adopted.

Mr. FULTON: I second the motion.

Motion agreed to.

The VICE-CHAIRMAN: Now we will resume hearing from our witness, Mr. Rasminsky, governor of the Bank of Canada.

Mr. LANGLOIS (*Mégantic*): Before we proceed, will Mr. Grégoire's proposal be referred to the Steering Committee?

The VICE-CHAIRMAN: We will refer his suggestion to the Steering Committee, yes.

I will now recognize Mr. Fulton.

Mr. FULTON: I have several questions that I would like to put to Mr. Rasminsky, and I will try to limit myself to the 20 or 25 minutes that are allotted to me. It would be obvious without my stating it, but I would like to state that I approach these matters very much as an amateur, and because I am aware that I am dealing with an expert I would ask Mr. Rasminsky and the Committee to forgive me if occasionally he has to state what to him is obvious but to me is not necessarily obvious.

I would like to make reference to this business of banking. Mr. Rasminsky, you have provided us with a statement dated October 31 on the role of chartered banks and other financial institutions in the process of credit expansion, and on page 4 of that statement, in the second last paragraph, you say:

My own view is that as a practical matter the distinctive feature of the "business of banking" is primarily borrowing by incurring obligations that are repayable on demand or at short notice, but certainly this kind of business is done in varying degree by a great many financial institutions other than chartered banks.

I would like to ask Mr. Rasminsky whether, on that basis, he would care to answer the question as to his view of the possibility of defining the business of banking by statute.

Mr. LOUIS RASMINSKY (*Governor of the Bank of Canada*): That is a question on which you would certainly be much more expert than I, Mr. Fulton. That is a legal question. I suppose that it would be possible to define the business of banking by statute. I do not think there is a statutory definition or any court rule here as to what does in fact constitute the business of banking. I would certainly not be qualified to offer a definition of the business of banking which I would confidently expect to be upheld by the courts. I am not qualified to do that and my approach to it, incorporated in the quotation from the paper dated October 31, to which you have referred, was a purely practical approach that the business of banking in essence is the business of borrowing from the public by incurring deposit liabilities which can be withdrawn in cash or transferred by cheque to third parties. Obviously, this is a narrow definition of banking. Defining of banking in that way has certain implications with regard to the management of the assets of the institutions which are exposed to such withdrawals. But that is really a consequence of the practical situation that they are in, rather than a part of the business of banking. If I may just add, Mr. Fulton, that definition is a

narrow one because, in actual fact, the difference between a deposit that can be withdrawn in cash or that can be transferred by cheque—that is payable on demand—and one on which one day's notice has to be given is very narrow. And there is clearly a very narrow difference to two day's or three day's notice. You will recall that the Royal Commission on Banking and Finance, in their report—I do not mean to quote them exactly—put forward a definition of banking institutions as those which incurred deposit liabilities payable on demand or within 100 days, but the Commission itself recognized that that was an arbitrary definition of what constituted banking institutions.

Mr. FULTON: Perhaps I could get at the basis of my questioning in this way. Have you expressed to the Committee and, if so, would you reiterate it briefly, your view as to the adequacy of the present degree of control which the Bank of Canada exercises over the chartered banks, as to the adequacy of that system within its present limits, to enable the Bank of Canada to exercise fully and effectively its role as the instrument of control of monetary policy?

Mr. RASMINSKY: Yes, I have at various points in my evidence dealt with that question and perhaps I can deal with it again very briefly. I believe that even though certain financial institutions are carrying on business which under a technical definition of banking would constitute banking, I believe that the powers of the Bank of Canada, as they exist, as amended in the proposed legislation, are sufficient to ensure the effectiveness of monetary policy. I do not think that it is necessary, from the point of view of monetary policy,—though there clearly are other points of view that might be taken into consideration—to seek to bring competing financial institutions which are not banks into the central reserve system for the Bank of Canada to achieve its objectives. The Bank of Canada objectives are related not to the size of the banking system, or not to the size of the deposit liabilities of non-bank financial institutions. Our objectives are related to the attainment of credit conditions of a type that are thought to be appropriate, in the light of the changing circumstances of the economy. We feel that there is a sufficiently broad base to work on in our relationship with the chartered banks who still account for about 75 per cent of the total deposit liabilities of the institutions that we are referring to. There is a sufficiently broad base for us to work on to ensure that the influence of the central bank is felt throughout the whole range of financial institutions, including non-bank financial institutions that are not subject to the provisions of the Bank Act.

Mr. FULTON: Could I suggest that for the moment your answer be read in the light of today's circumstances. I would like then to go on and ask you whether in view of the rapid growth in the business of institutions which are not banks, in the last five years—that is, the rapid growth in their share of this type of business—you would feel that there might be need to review your present estimate of effectiveness of the Bank of Canada's control within the measurable future.

Mr. RASMINSKY: I think that one could not exclude the possibility that one would want to review this. I do not think it is at all likely—you use the expression "the measurable future"—that between now and the next decennial revision of the Bank Act a situation would arise in which the Bank of Canada

felt that for purposes of monetary control it did not have a firm enough grip on the situation.

Mr. FULTON: Then leaving out the question of a statutory definition, I wonder whether it would not be helpful for our discussions if you were able to give us your definition of a near-bank. I have the feeling that there is a good deal of looseness in our terminology. I also get the feeling that institutions which have been almost an historic part of the financial structure of Canada—trust companies have an old and reputable history—feel that they are now lumped under this definition of near-bank, which, in many usages, is almost an opprobrious term—and I can understand their concern if I have correctly interpreted their feeling. Could you help us by saying whether you think this terminology, near banks, should be looked at carefully, and whether we should perhaps be careful to talk about banks and trust companies and mortgage and lending companies and not cast a great big wide umbrella. What do we mean by near-banks, or could you help us in that matter?

Mr. RASMINSKY: I share the views which you have just expressed, Mr. Fulton. I think that the term has come to have some rather derogatory connotations suggesting that there is a kind of ersatz quality to these financial institutions which play a very important part in our financial life and some of which do have a long and honourable history. You will have noticed that in the course of my evidence here, even though the phrase is a long one, I have referred to non-bank financial institutions and have tried to avoid using the term, "near-banks". I would not like to define the term "near-banks," which I think is a term that on the whole, we would do better to avoid. I think what one means by these non-bank financial institutions, or what people mean who use the term "near-bank" are institutions which do a business which is similar to banking in the sense of borrowing from the public in the form of deposits evidenced by instruments of various kinds, perhaps by a deposit account, guaranteed investment certificates, term or notice deposit and which lend money—put out the money in various forms to earn interest. I suppose that the term "near-bank" has come into use because the growth of the deposit side of the business of some of these non-bank financial institutions, in particular perhaps the trust companies, has been particularly rapid recently and is a major development in its size. It is a development of fairly recent years.

But, essentially, the character of the business of borrowing and lending of these non-bank financial institutions is the same as that of banks. They are financial intermediaries who act as instruments through which the savings or surplus cash availabilities of the public are channelled into productive use.

Mr. FULTON: To what would you attribute the fact that this growth in that side of their business has been rapid within a comparatively recent period? Is this because the restrictions under which the actual chartered banks, in the present circumstances, have been operating, have become accented or aggravated in recent circumstances or is it just the very nature of the economic growth of the country, or a combination of the two?

Mr. RASMINSKY: I think it is a combination of those things, Mr. Fulton. The economic growth of the country has been accompanied by the development of our financial institutions, along with the development of other business institutions, including some institutions that have specialized in certain types of

financial business. In part, I think it reflects these underlying growth factors and no doubt it in part, also reflects the business acumen and initiative of those who have been engaged in this business. I think that it is the case that against this background the growth has been facilitated and encouraged by certain competitive disadvantages under which the banks in a sense, have operated with respect to both the asset and liability side of their business—restrictions on the type of loan that they could make; and there I am thinking of the prohibition against making mortgage loans. The cash reserve requirement, in the case of the banks, has been statutory whereas, in the case of the other institutions, there has not ordinarily been a cash reserve requirement. I suppose that the limitations in the rate of interest that could be charged on loans would be included in the list of competitive disadvantages. I think that these have played a part in the relative growth rates of these various classes of financial institutions.

Mr. FULTON: May I use this last part of your answer to lead into another area I wanted to ask you about, and that is the statutory requirement, now to be modified, with regard to the maintenance of reserves. Perhaps the use of the term “reserves” is a little misleading, and I would like to say that by way of preface to my question, because these reserves normally would be something set aside for the protection of the bank or the public in time of emergency—and could not the cash reserves that are required to be maintained by statute here be described as enforced deposits, and secondary reserves perhaps as enforced investments? In this respect then they are not for the ordinary protection of depositors but they have the protective character in that their system is the implementation of the monetary policy of the Bank of Canada. If that is at all a correct analysis of reserves as they in fact exist, could I ask you whether this could not be accomplished with considerably less regulation that is even now proposed. In fact, did not the Porter report recommend against secondary reserves?

Mr. RASMINSKY: No, they did not, Mr. Fulton.

The Porter Commission was unenthusiastic about the voluntary 15 per cent ratio agreement with the bank regarding liquid assets, which has been in force since 1956. They summed up their discussion on this point by saying: “. . . As with the cash ratio, there has been no variation in this ratio since it was first introduced. In the chapter on chartered banks we expressed the view that this agreement with the Bank of Canada is of limited use as an instrument to control bank lending and does not contribute significantly to a more orderly adjustment to cash reserve pressure.

If the authorities do urgently need to restrict bank lending through direct control of bank liquidity, they must reach further into the portfolios of liquid assets. The Bank of Canada has indeed suggested that a variable liquid asset ratio would be a useful supplement to its ordinary techniques of control. . . .”

We suggested that in our submission to the Royal Commission.

“. . . If it were to be useful, however, the authorities would also have to be given the power to vary it more widely than the present cash ratio, although presumably within specified limits, and to impose the changes more quickly.”

In the legislation which is before the committee we are asking,—the government is proposing,—that the bank be given the power to vary the liquid

asset ratio and the permitted variations will indeed be wider than those in the old variable cash reserve ratio.

Mr. FULTON: In the field of primary reserves, on the basis of the legislation before us, it would seem that the government has recognized that the former 8 per cent ratio of cash to deposits was higher than necessary, and now propose a new formula which, on the average, as I understand it, is supposed to work out at 6.6 per cent?

Mr. RASMINSKY: That is right, at the present time.

Mr. FULTON: Would it not be correct to say that there are, in fact, few average banks, and that the split ratio of 4 per cent for notice deposits and 12 per cent for demand deposits would bear unequally on the banks and bear most heavily on those supporting, to the greatest extent, the business man—the majority of the so-called small businesses—whose deposits are in the demand category? Would it, therefore, not be desirable to allow a greater degree of flexibility than the present amendment seems to make possible?

Mr. RASMINSKY: A greater degree of flexibility in the application of ratio to particular banks by applying different ratios to them?

Mr. FULTON: Yes, would that be feasible?

Mr. RASMINSKY: No, I do not think that would, Mr. Fulton. Any cash reserve requirement which sets a figure higher than the banks would maintain if left to their own devices imposes to some degree an earnings penalty on the bank. The penalty arises out of the fact that the bank is required to hold part of its assets in the form of a non-interest-bearing deposit with the Bank of Canada, which is in excess of the amount that it would have to hold to meet any possible clearing losses that it might sustain.

I do not see how one could have differential treatment of different banks in this respect. It is true, as your question implies, that the variations in the composition of the deposits of different banks will result in different banks in fact having to hold different proportions of cash reserves against the aggregate of their deposit liabilities.

Mr. FULTON: Because they have to have 12 per cent against demand deposits.

Mr. RASMINSKY: They have to have 12 per cent against demand deposits, and 4 per cent against time or notice.

Mr. FULTON: May I just rephrase my question because I realize it was not really phrased to bring out the answer.

There being, then, that disparity which will affect the banks, or any bank, depending at any given moment upon its ratio of term deposits to the demand deposits, and since, as I understand it, demand deposits are the kind that are mostly used by what we might describe as the average small business, if there is such a thing, would it not in fact bear heavily on a bank which, as a matter of policy, would wish to extend credit to small businesses, perhaps, in the community if it thinks that this is the thing that should be done? If it does, will it not be penalized, in effect, by this statutory differentiation? Really when I talked about flexibility I should have said, could you not set an average rate for the two—a simple rate of 8, or perhaps 5.

Mr. RASMINSKY: I do not know that there is any evidence which suggests that demand deposits held by the banks, received by the banks, come basically from small businesses, rather than large corporations. I do not know that there is any relationship between this and the size of business.

Time deposits, on which the lower cash reserve requirements have to be held, of course, are interest-bearing deposits and there is an earnings penalty there so far as the banks are concerned, as distinct from demand deposits which are normally non-interest bearing. Even though the impact of this may be different, so far as different individual banks are concerned, it is open to the banks, within the limits of the legislation, to change the impact on themselves if they want to, by competing, for example, more vigorously for time deposits and changing the mix of their deposits.

Mr. FULTON: What is the amount which, in your overall view, is required to be maintained, by the banks by way of deposits to enable the Bank of Canada to exercise effective monetary control?

Mr. RASMINSKY: The only way that I can answer that question, Mr. Fulton, would be to say that, for us to exercise effective monetary control, the cash reserve requirements have to be higher in the case of each of the banks than that bank would wish to maintain if there were no statutory requirements; because the control, or the response, of the banks to impulses generated by the central bank would not, within broad limits, be predictable if the statutory cash reserve requirement were lower than the bank wanted to maintain anyway.

The general answer would have to be that the cash reserve requirement must be higher than the banks would wish to maintain, and I believe that the cash reserve requirement under the proposed legislation is higher than the banks would wish to maintain if left to their own devices, though clearly not as much higher as the 8 per cent was.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, may I ask a question on this point.

The VICE-CHAIRMAN: Yes, Mr. Cameron.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): In actual practice how important a part does the level of cash reserves play in your exercise of monetary control?

Mr. RASMINSKY: Mr. Cameron, it is absolutely essential. It is the fulcrum of the system.

Mr. FULTON: I do not think there is any question about that. I was not intending to question that. I was just wondering whether perhaps it was a little higher than the 12 per cent category.

I will go back to an answer you gave me a little earlier. You said, as I recall it, that you had no evidence to support the theory, which I think I stated, that the small business deposits are in the demand category to any greater extent than large businesses. That, I suppose, is a question I would have to direct to the Bankers' Association on the basis of experience. However, may I put it this way: You have no evidence, on the other hand, to say that that theory is not correct? It is just that you are not able to accept it?

Mr. RASMINSKY: No; I have no information on it.

Mr. FULTON: All right. I have another five minutes?

The VICE-CHAIRMAN: Yes; if it is agreeable to all the members.

Mr. FULTON: I would like to turn to another aspect of the reserves, Mr. Rasminsky, and that is the question of the possibility of payment of interest by the Bank of Canada on the deposits kept with you by the chartered banks.

I understand that in the present Bank of Canada Act they are not empowered to pay interest on these deposits which these banks are required to maintain as part of their cash reserves. I also understand that Bill No. C-190, to amend the Bank of Canada Act, would permit you to pay interest on deposits of other central banks, or international organizations, but that there is still no change proposed in the act; so that if this goes through in its present form and you are asked: "Why do you pay interest to the chartered banks on their deposits"? Your answer would have to be: "Because the statute does not authorize us to do it."

Mr. RASMINSKY: I would add to that also that it would undermine the effectiveness of monetary control if we paid interest on deposits to the chartered banks; because it is implied in the answers which I gave to you with respect to your previous questions that the reason that the cash reserve is essential to monetary control is that there is a penalty attached to the holding of excess cash reserves. If the Bank of Canada paid interest on the cash reserves then you would have eliminated this penalty, and you would have eliminated, in my judgment at any rate, the effectiveness of the very fulcrum.

If I can explain the difference now between this and the amendments which are proposed as regards the payment of interest to other central banks, in the course of the last several years, as you know, there has been a very substantial development of international co-operation among central banks and this takes the form of one central bank helping another out from time to time when it runs into an exchange problem. The form that these arrangements often take is such that they are technically referred to as "swaps," in which one central bank holds the currency of another. Now, it is the practice in these arrangements for each side to pay interest on the amount of its currency which is held by its opposite number.

We, ourselves, have in the past been the beneficiary of arrangements of this sort, and in order to comply with them we have found it has been necessary to take the funds that we have paid to the credit of our opposite number and invest them in short-term securities of the government of Canada so that a return would be available to the other central bank or the international financial institution. All that the proposed amendment does is to provide a simpler method of achieving that result.

Mr. FULTON: Yes, I appreciate that; but I also appreciate that it does not do anything with respect to your ability to pay interest to the chartered bank.

Mr. RASMINSKY: It is not intended to.

Mr. FULTON: You have given the reason as policy; but is it not a fact that at the present time the Canadian chartered banks have over \$1 billion on deposit with you at the existing 8 per cent ratio.

Mr. RASMINSKY: I think the figure is probably that—the deposits of the chartered banks with us. Yes; on October 26, 1966, the deposits of the chartered banks with us were one billion and ninety million dollars.

Mr. FULTON: This would be reduced, of course, under the amendments to a ratio of approximately 6.6. per cent; but it will still represent a very large interest-free deposit by the chartered banks with the government, or central bank.

Mr. RASMINSKY: Yes, it will.

Mr. FULTON: Is it not a fact, on the other hand, that when the government has surplus funds on deposit with the banks it is paid interest on all amounts in excess of \$100 million at the treasury bill rate less one tenth of one per cent?

Mr. RASMINSKY: Yes, I think that that is usually the case.

Mr. FULTON: As I understand it, this deduction of one tenth is made to offset the required cash reserve on the surplus deposits so that, in effect, on anything over \$100 million deposited among the banks they earn nothing.

Mr. RASMINSKY: I do not know that the deduction of one tenth of one per cent is directly related to the reserve requirements. This is a matter on which I am really not the right person to give evidence, but I believe it is intended to recognize the services of various sorts performed by the chartered banks—the handling of cheques and so on without charge.

Mr. FULTON: So that it would be correct to say that in fact the chartered banks get nothing on the money which they deposit with the Bank of Canada, whereas the government not only gets interest but interest at preferred rate on their deposits with the chartered banks?

Mr. RASMINSKY: Well, if you omit the phrase “at a preferred rate” I think that that statement would be correct, yes.

Mr. FULTON: Finally, could not this lack of ability to receive interest, in so far as it is one of the aspects of legislation under which the banks are at some competitive disadvantage vis-a-vis their competitors, at a time when the banks may be forced to make further contributions in the form of premiums for deposit insurance—could not this fact that they cannot get interest on any portion of their deposits maintained with you aggravate that competitive disadvantage? If you take the two together: They are not getting interest and they are now going to be required to pay a premium for deposit insurance. Therefore my question next is: Is not that an aggravation of a competitive disadvantage?

Mr. RASMINSKY: I would suppose that all the institutions which are eligible for deposit insurance, and whose deposits are insured, will pay premiums on the deposit insurance; so that there is no particular disadvantage.

Mr. FULTON: Our understanding at the moment is that this will be voluntary; we have not seen the legislation.

Mr. RASMINSKY: We have not seen the legislation.

Mr. FULTON: Our understanding is that first, it will be voluntary, and, secondly, that they will not be allowed to come under the deposit insurance scheme, if they are provincially incorporated, unless the provincial governments

consent. I make no comment because that is a matter I want to discuss with the minister, but that is the fact, is it not, under the present proposal?

Mr. RASMINSKY: I do not know what the present proposal is, Mr. Fulton. The minister did make a statement along that general line.

Mr. FULTON: If, then, my hypothesis be correct, we might be faced with a situation where comparatively few of these non-banking financial institutions—to use your definition—in fact come under the deposit insurance scheme, while all the banks must come under it, if it is instituted. Therefore, again on the basis of my hypothesis, it is fair to state, is it not, that the banks, vis-à-vis the bulk of their competitors, could be at a disadvantage with respect to this matter, which would aggravate whatever disadvantages they now suffer by the fact that they maintain these very large deposits with you and get no interest on them?

Mr. RASMINSKY: I do not feel that I can make any comment on the deposit insurance aspect of your question, Mr. Fulton, before the draft legislation has been approved and is available.

On the basic question, I think that one would have to say that the statutory requirement which the act imposes on banks to hold cash reserves in excess of what they would do if left entirely to themselves does constitute a subtraction from the earnings of the banks compared with what they otherwise would be. To that extent, I suppose one might say that it constitutes a competitive disadvantage.

One might go on to speculate about the amount involved. Since I have not been able to say how much they would hold if left to themselves I cannot offer a strong view on it; but my impression is that the difference is such that the competitive position of the banks is not significantly altered as a result of the cash reserve requirement which, of course, is being reduced for all banks under the proposed legislation.

Mr. FULTON: One final question on this point of—

The VICE-CHAIRMAN: Mr. Fulton, I do not want to interrupt you, but I want to point out to you that you have had more than half an hour.

Mr. FULTON: I have gone over my time.

The VICE-CHAIRMAN: We have many members who want to ask questions.

Mr. FULTON: May I ask one final question on this aspect, and I will leave the others until the second round if I may get one?

My last question is: These deposits which the chartered banks maintain with you, Mr. Rasminsky, are used by you to finance your operations, are they not? They are not held there idle in a quasi-trust position so that you cannot touch them. You use them for your day to day operations?

Mr. RASMINSKY: These deposits with us result from our operations. The offset to these deposits, on the asset side of our balance sheet, is holdings of government securities, or holdings of foreign exchange, basically.

Mr. FULTON: And to the extent that you use them to purchase government securities you are purchasing interest-bearing securities. True, you have to return it, but the bank, as a bank, earns interest on these securities which are

purchased, in part, at any rate, out of the deposits which the chartered banks maintain with you? Is that correct?

Mr. RASMINSKY: That is the case, Mr. Fulton; and the same applies, of course, to other liabilities of the Bank of Canada. The note circulation in the hands of the public, as well as the note circulation which is included in the bank's cash reserves, also has a counterpart in an earning asset in the books of the Bank of Canada, which results in income which is regularly transferred to the consolidated revenue fund.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You are not prepared to say, Mr. Rasminsky, that there are some compensating benefits which the banks get from this statutory provision for cash reserves? It would be very difficult to estimate, but I would suggest that the very fact they are the only institutions in the country which are allowed to use the terms "bank," "banking", or "banker" has a very profound psychological effect on the ordinary depositor with regard to his estimate of the stability of an institution which is conferred on them by the sole right to use this term.

Mr. RASMINSKY: Undoubtedly there are compensating benefits, Mr. Cameron, and I think the one you mentioned is a very important one. I think the ability to call yourself a bank is a very important asset that the banks have.

Mr. FULTON: They were able to do that though before you came on the scene, were they not? Before the Bank of Canada came on the scene, Mr. Rasminsky?

Mr. RASMINSKY: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Also, the term bank now indicates to most people that this is a institution which is part of an integral financial organization in the country. The period to which Mr. Fulton is referring is before that integrated system was established when banks were collapsing. I do not think there is anybody in the country who has any idea that a bank is going to collapse today.

Mr. RASMINSKY: Another compensating benefit, Mr. Cameron, is that the banks—

Mr. FULTON: Mr. Rasminsky, I am sure that as a student of history you would not necessarily want to accept without comment the inference in Mr. Cameron's question that the Bank of Canada was set up at a time when there was a wholesale collapsing of banks. As a matter of history I do not know—

Mr. RASMINSKY: The last bank failure was in 1923, and the Bank of Canada was set up in 1935.

If I may add, another compensating benefit that the chartered banks enjoy is access to central bank credit. We have arrangements with the banks by which, under certain specific conditions, they can borrow specified amounts from us.

Mr. FULTON: And pay you interest on them?

Mr. RASMINSKY: Yes, sir.

The VICE-CHAIRMAN: I will now recognize Mr. Lind, and I might remind members that I have a lot of members on my list. When members have many

questions to ask I would ask them to refrain from asking questions on the main subject on which Mr. Rasminsky has already been questioned.

Mr. LIND: Mr. Chairman, Mr. Rasminsky, I would like to go into another area here. I do not know whether this falls into the area of the Bank of Canada or not. It is the area of the International Monetary Fund. Is this under your jurisdiction, or control?

Mr. RASMINSKY: No, it is not, Mr. Lind. The International Monetary Fund is an inter-governmental institution of which the government of Canada is a member. I, personally, have had some connection with the International Monetary Fund.

Mr. LIND: I will skip that and leave that until a later date.

What I would like to ask now—and this is very elementary—is: How do we stabilize our Canadian dollar, since we have gone onto gold standard, other than by goods and services, and what value have we in actual goods and services, or have we some monetary means of evaluating the true value of our Canadian dollar other than by tying it to the United States dollar?

Mr. RASMINSKY: We stabilize the Canadian dollar by the government declaring a par value with the International Monetary Fund, which was last done on May 30, 1962 when the par value was fixed at \$1.00 Canadian equals 92.5 cents in United States currency. From day to day in the exchange market the value of the Canadian dollar is determined by the demand for foreign exchange and the supply for foreign exchange that is coming on to the market. The demand for foreign exchange is the result of all our transactions with foreigners or those of our transactions which come on to the market in any particular period of time—transactions, for example, such as imports, which have to be paid for, or the transfer of dividends abroad, or interest payments abroad, or travel expenditures abroad, whether it be purchase of securities abroad or the repayment of debt abroad, and various other transactions. The supply of foreign exchange coming onto the market is the result of the activities of Canadians in supplying goods and services or in supplying securities or evidences of debt to foreigners so that our exports give rise to a supply of foreign exchange. Our exports of goods and our exports of tourist services, when foreigners come to Canada and take a holiday here, or come here for business purposes or, moving to the capital account items, if Canadians borrow in the American market, this gives rise to a supply of foreign exchange, and the actual rate of the Canadian dollar on any day or over any period of time is determined by the supply of foreign exchange and the demand for foreign exchange. Under the Fund agreement there is a permitted range of fluctuation of the Canadian dollar and of every other currency which is a member of the International Monetary Fund. Roughly, it is 1 per cent on either side of the declared par value, so that the Canadian exchange rate can fluctuate within a 2 per cent spread. At the extreme limits, in order to maintain the par value of the Canadian dollar, the government of Canada would, if necessary, have to intervene in the exchange market to keep the rate from going through those limits. That intervention would take the form of supplying foreign exchange—that is, selling in the foreign exchange market—if the balance of payments at that time as reflected in the exchange market was adverse, and that would be reflected in a decline of the country's foreign exchange reserves. At the other end of the spectrum, the intervention would take the form of

buying foreign exchange to keep the rate of the Canadian dollar from going through the outer limit, and that intervention would be reflected in an increase in our exchange reserves.

Mr. LIND: In the case of extreme speculation in our Canadian dollar, what control have we, or is the official control in the International Monetary Fund?

Mr. RASMINSKY: I suppose the first thing is to make sure that there is not any basis for speculation—that is, remove the causes for speculation. If there is speculation against a currency the country can use its exchange reserves to meet the speculative demand. Speculative demand in its nature is a temporary thing which will have to be reversed. So, the country can meet the speculative demand by selling exchange reserves. It can have access to help through the International Monetary Fund. Many countries including Canada have had such access through the International Monetary Fund. Then there has grown up, as I indicated in an earlier reply to Mr. Fulton, a whole network of international mutual help in this matter which has made very large amounts of resources available to help to meet speculative demands. The general history of currency speculation, in recent years, is that currency speculators have lost money.

Mr. MORE (*Regina City*): Mr. Chairman, on a point of order. I find this all very interesting but I am wondering how this is related to the business before the committee?

The VICE-CHAIRMAN: Well, I would remind the members that questions put, since Mr. Raminsky has been here, have covered a wide area. I will allow, Mr. Rasminsky to conclude his remarks.

Mr. RASMINSKY: I have concluded that reply.

Mr. MORE (*Regina City*): I am agreeable as long as I have an understanding that everybody can follow this wide open field.

Mr. LIND: I did not interrupt Mr. Fulton when he was questioning.

Mr. MORE (*Regina City*): I did not interrupt you, Mr. Lind.

Mr. LIND: I am coming to a point where I would like to have certain information.

Mr. MORE (*Regina City*): I asked for a ruling from the Chair and I did not interrupt when anyone was speaking.

The VICE-CHAIRMAN: Order, please. Mr. Lind, would you proceed if you have any other questions.

Mr. LIND: Coming back to two things that control the Canadian dollar, the level of economic prosperity and the inflation in our country, I would like to quote from an article of the Canadian Manufacturers Association and ask you some questions on it.

The worrying thing for Canada, now that the advantages of the 1962 devaluation have been run off, is to sustain a boom virtually up to the limit of productive capacity without incurring a further acceleration of unit costs.

The only means of improving the merchandise account is to sell more to the United States, but the competitive advantage that Canada used to

have no longer exists, and it is all too clear that Canadian costs are rising faster than American costs.

My question to you is, due to the inflationary pressures that we have in action at the present time, is our Canadian dollar in danger at the 92½ cent level?

Mr. RAMINSKY: I would see no reasons why, if reasonable and sensible policies are pursued, there should be any question as to this.

Mr. LIND: Well then, is it a true statement that our economic expansion is about at the end of its limit?

The VICE-CHAIRMAN: I am sorry Mr. Lind, but I really think that we are going a little farther than we should. We should restrict our remarks or questions to the affairs or the business of the Bank of Canada or to chartered banks.

Mr. LIND: I though this was a proper question because the Bank of Canada has control of our monetary system.

Mr. RASMINSKY: We do not control the economic affairs of the country, Mr. Lind, no.

Mr. LIND: Then I will enter another area of questioning. Is it true that under extraordinary circumstances the Bank of Canada can expand the credit of our country? I am referring mainly to the period of June, July and August of 1965. Did the Bank of Canada expand the money supply at that time?

Mr. RASMINSKY: The Bank of Canada at all times takes into account in its policies everything that is relevant to the credit situation. In the course of the summer of 1965, the failure of the Atlantic Acceptance Corporation produced a situation in a credit market that was taken into account by the Bank of Canada, and as I outlined in some detail in my last annual report, this did result in an expansion in the total of chartered bank assets and liabilities at an unusually rapid rate for a period of some months.

This expansion in the size of the chartered banking system was accompanied by a tightening of credit conditions as interest rates continued to rise, and what the Bank of Canada did at that time, essentially, was to accommodate itself to the desire on the part of the investing public to hold less of their liquid assets in the form of short-term claims on instalment finance companies and some other institutions, and more of their liquid assets in the form of claims on chartered banks.

Mr. LIND: How much of this expansion took place, and how long was it before we got back on to the normal curve in this instance?

Mr. RASMINSKY: It is very difficult to be precise about this, Mr. Lind. I would say that the bulk of the expansion occurred in the months of July and August—perhaps the very end of June, July and August—and by September we were getting back into a more normal rate of expansion.

Mr. LIND: Did this increase inflationary pressures during the fall of 1965?

Mr. RASMINSKY: No, Mr. Lind, for the reason that I indicated, that it was accompanied by an increase in interest rates, by a tightening of credit conditions and, in my judgment, it merely substituted one type of liquid holding in the

hands of the public, namely, chartered bank deposits, for another type of liquid holding.

Mr. LIND: Is this necessarily due to a run on our short-term market for short-term securities from the United States?

Mr. RASMINSKY: I am afraid that I do not understand your question.

Mr. LIND: There was considerable short-term money invested in Canada in the early part of June, 1965. As I understand, there was a considerable run on this—a recall of this short-term money to the United States—during the months of July and August.

Mr. RASMINSKY: Yes; when I referred to reduction in the willingness of the public to hold certain short-term assets, that includes non-residents, and non-residents did, in fact, in that time reduce their holdings of some short-term claims on Canadian financial institutions. That was one of the factors in the situation.

Mr. LIND: Has the confidence in the Canadian short-term market returned so that this level of short-term borrowing in the United States has come back to a normal amount?

Mr. RASMINSKY: I do not know what a normal amount would be, Mr. Lind, or how one would define it, but I think that the general answer to your question is that over the period that followed the initial shock of the summer of 1965, there was a gradual restoration of confidence, yes sir.

Mr. LIND: I would like to go on to another area now, if I may.

Mr. RASMINSKY: If I could just add to my answer, it is the case that the American guide lines which impose certain targets on American corporations with regard to their short-term investments abroad, is one of the factors in the situation. With these guide lines still in effect it is very difficult to say what would be a normal amount of short-term American investment capital.

Mr. LIND: If the trust companies and the finance companies had been under the control of the central bank, would this extraordinary circumstance have developed as it did in July and August of last year? Would we have had this recall of the short term money to the American market?

Mr. RASMINSKY: That is such a hypothetical question, Mr. Lind, that I really feel that I am unable to answer it. I do not know what is meant by having finance companies under the control of the central bank.

Mr. LIND: Well, what about the near-banks or trust companies?

Mr. RASMINSKY: Well, they were not really directly involved in the situation that I am referring to. The central bank has, of course, no powers of inspection over any institution, and one of the crucial factors involved here was the quality of the assets of the financial institutions.

Mr. LIND: May I go on to another area? Mr. Fulton has a question.

Mr. FULTON: I had a similar question, and it has been answered pretty well. I would have put it somewhat differently. In your opinion, could the Atlantic situation have been prevented, or the danger of it lessened had there been control of that type of financial institution by the central government?

Mr. RASMINSKY: I think it is clear that a greater degree of attention to the quality of the underlying assets would not have permitted this institution to expand the way it did. Who should be involved in that control, I think, is a difficult matter. Basically, I suppose, one would say that those who are putting their money up should be concerned with what security they have for their money. What is basically required is a sophisticated and discerning attitude on the part of investors as to whether an investment is sound. This institution, I think was a provincially incorporated institution, and I really would not feel able to make any further comments on that side of it.

Mr. LIND: I would like to go on to get a further explanation of the difference between banks, trust companies, finance companies and loan and mortgage companies. As I understand it—and this may be very elementary to you, but it is not to me—the banks traditionally were supposed to keep seven per cent of their money in government bonds or government securities, and then they were traditionally supposed to be able to make loans to small businesses and large businesses, loans to the money market, buy treasury bills, government bonds and medium term government securities. Traditionally, the trust companies invested in securities, government bonds and what not—traditionally, mortgages are long term investments and the short term money market was left to the finance companies, who did consumer financing and short term interim financing for business. As I said, traditionally, this was the case. But a few years ago the banks were allowed to break out of this pattern and they have gone heavily into the consumer credit field, in which they have affected the finance companies. It is my understanding that they have materially reduced the interest rates charged by finance companies and, where the finance companies have been charging maybe from 14 to 18 per cent, the banks have reduced it from 14 per cent downwards. But as the banks have been allowed to break out of their one traditional position if, under this new act, we let them go into the mortgage field, are they coming into the field which has been occupied traditionally by the trust companies and the mortgage loan companies. This is somewhat of a concern to me because I would like to know how far they want to go. Do they want to have the complete financial field to work in, or are they prepared to limit their activities to supplying loans to small businesses, large businesses and loans to the money market—I am referring to the bond and stock market, government term bonds and treasury bills. Could you say if there are any other areas in which the banks are interested in entering that they are not in at the present time, other than mortgage fields?

Mr. RASMINSKY: Mr. Lind, I understand you are going to have the Canadian Bankers' Association and individual banks here next week. May I suggest that this question be put to them.

Mr. LIND: I would like to put the question to them, but I would like to have defined what areas they are allowed to go into and where they are endeavouring to break out of.

Mr. RASMINSKY: I will make this general comment on the question. As I understand it, the general philosophy behind the legislation is to increase the degree of competitiveness in the whole financial system. One way of approaching the organization, or the control of financial institutions, would be to have a strict compartmentalization of financial institutions and to try to carve out an area for

each of them, and keep them within those bounds. That is not the way our system has tended to develop. There has been a great deal of overlapping both on the side of competition for deposits and, on the asset side, on the types of loans and the employment of funds of the various types of financial institutions. The particular reference which you have made to the increased mortgage lending of the banks, is one example of the movement in line with the general philosophy of increasing the degree of competition by breaking down these rigid barriers. There are, as you know, quantitative limits put on it. And, I think one would also have to add that, so far as the total size of the banking system is concerned—that is, the aggregate of all assets that the banking system can hold—that, of course, will remain subject to the normal controls that are exercised in the conduct of monetary policy.

Mr. LIND: Do you feel we will have a fair degree of competition between the eight chartered banks? As you stated the other day their total money supply is about 73 per cent plus, shall we say, another 10 per cent, which they control directly or indirectly, of the near banks, which would give them a total control of some 83 per cent of our money supply. In this case are we going to be assured that there will be competition between eight institutions that virtually have complete control?

Mr. RASMINSKY: There are various aspects of the legislation that the Committee is considering and, I suppose, they all have to be considered at the same time. On the one hand there is a desire to increase the amount of competition in the financial system. On the other hand, there is the concern reflected in your question about the degree of concentration in the banking system, the continued large relative size of the banking system. The first thing I should say is that over the past 10, 15 or perhaps 20 years, non-banking financial institutions have been growing in size relatively to banks. The point has already been made several times that banks have not been gaining ground. The banks are, in this legislation, having some of the limitations on their ability to compete removed—the ability to acquire mortgages and the ability to issue debentures are two examples. Another example of that is the effect of the change in the cash reserve system in reducing their cash reserve ratio.

It is the case, of course, that other institutions as well have recently had some of the limitations on their operations removed or reduced. That is the case, for example, of the loan and trust companies incorporated under the federal act, where the amendments made in 1965 relaxed some of the investment restrictions on these companies. In addition, some aspects of the legislation that is before the House and the Committee operate in the direction of reducing the degree, or is likely to operate, I should think, in the direction of reducing the degree of concentration of the financial system in the hands of the banks. Deposit insurance, I think, is likely to have that effect, to the extent that non-banking institutions take advantage of it, and I think it would improve their relative competitive position.

Another part of the legislation that operates in the same direction, is the restriction on the ownership of companies, where the banks are going to be required, as I understand it, to divest themselves over a period of time of more than a certain proportion of their share or ownership of other companies. Another is the proposed prohibition on interest rate agreements that is incorporated in the Bank Act. These things—and there may be others—are the other

side of the coin. These are things that will tend, I think, to improve the relative position of non-bank financial institutions within our system. It may be the case that the removal of some of the limitations and restrictions that are presently imposed on the banks may have the effect of encouraging the formation of new banks or encouraging some institutions that now operate a financial business without being banks to incorporate under the Bank Act and be able to call themselves banks. I hope there is a development along these lines.

Mr. LIND: One further question, if I may, Mr. Chairman. Do you think the fear would be as great if you got away from this percentage angle and stayed with the dollar increase, to show us the dollar increase of the chartered banks per year versus the other institutions? I am concerned about this percentage figure. They show a fantastic gross here. The small trust company doubles it; it shows a 50 per cent increase in deposits in a year; whereas the chartered banks went up \$1,400 million in their reserves, as I understand it. Is it the inner reserves, or the assets—

Mr. RASMINSKY: I do not know what it is, but I know it is not their inner reserves.

The VICE-CHAIRMAN: Would you mind, at this time, if I called upon someone else to ask questions?

Mr. LIND: Well, I would just like Mr. Rasminsky to say if he would go to a dollar value rather than a percentage value.

Mr. RASMINSKY: Well, I am certainly prepared to give any of the figures that I have given in terms of percentages.

Mr. THOMPSON: Mr. Chairman, in posing a few more questions to Mr. Rasminsky about statements relating to near banks and banks I do not mean to be repeating questions, but I may get involved in some of the answers that we were given.

Mr. Rasminsky, in your submission, both to the Porter commission and also in your statement of October 31 to the committee, you pointed out that 73 per cent of the total deposits are being held by the chartered banks and 27 per cent by the near banks.

You also stated that you did not feel that the near banks came within the provisions of the Bank of Canada. There are several problems which come out of your statement in regard to this about which I would like to ask you.

How would you define a deposit in the chartered banks?

Mr. RASMINSKY: As I said in reply to a somewhat similar question asked by Mr. Leboe on Tuesday, I think that the first thing to remember about a deposit is that it is a liability of the bank and not an asset. A deposit in a chartered bank results from money being borrowed by the chartered bank from the investing public. It may be evidenced in various ways. It may be evidenced in the form of a current account, it may be evidenced in the form of a savings account, it may be evidenced in the form of a certificate of deposit or a deposit receipt, or the borrowing may take the form of the investor putting his money at the disposal of the bank through buying a bearer discount note, or there may be other forms of deposit.

Mr. THOMPSON: A customer coming into a bank and placing \$1,000 into his account is actually, according to your definition, loaning \$1,000 to that bank?

Mr. RASMINSKY: Essentially yes, sir.

Mr. THOMPSON: Then, how would you define a deposit in a near bank—in a trust company?

Mr. RASMINSKY: I would define it in exactly the same way.

Mr. THOMPSON: Does this definition, then, of a near bank include term deposits?

Mr. RASMINSKY: Yes, sir.

Mr. THOMPSON: Does it include savings certificates or other investment certificates which are redeemable only after a certain period of time?

Mr. RASMINSKY: Essentially, yes. The characteristics of the deposit may differ but, using the term generically, the answer to that question is yes.

Mr. THOMPSON: You would put mortgage investments in the same category, then?

Mr. RASMINSKY: Well, when you are talking of mortgages you are going now to the asset side and away from the liability side of the balance sheet of the financial institutions. I certainly would not define a mortgage instrument as a deposit.

Mr. THOMPSON: The point I am trying to get at is that you do not really differentiate in any way at all between the deposits of the near banks and the banks themselves?

Mr. RASMINSKY: From the point of view of monetary analysis, from the point of view of understanding the nature of the financial process, I think that the similarities between these deposit instruments of the various classes of financial institutions are much more significant than the differences.

Mr. THOMPSON: What troubles me in this is simply that the banks may take all kinds of securities; trust companies and mortgage companies really invest in long term loans. I find it very difficult to find just how these can be termed comparable.

Mr. RASMINSKY: The character of the assets that any institution acquires bears some relationship to the characteristics of its liabilities. If the deposit liabilities, however they may be described in the balance sheet of the non-bank financial institutions, have a long maturity—if the certificates are due in five years or three years—then the institution will not feel that it has to hold as much in the way of cash or liquid assets in order to meet possible withdrawals.

There certainly are differences in the characteristics on the asset side of the balance sheet of these institutions.

Mr. THOMPSON: In your statement to us, also on October 31, you substantiated what you have said now by saying that there is a basic similarity between the business carried on by the chartered banks and the near banks, and that the differences exist in matters of degree.

Mr. RASMINSKY: That is right.

Mr. THOMPSON: You also said that the financial institution can stay in business only so long as it continues to be successful in persuading people to acquire or hold its obligations. In order to increase its lending it must increase its

borrowing—if we classify deposits as such—by persuading people to take up more of its deposit liabilities, certificates, debentures or other obligations.

Is this as true of the banks as it is of other types of institutions.

Mr. RASMINSKY: Yes, it is, Mr. Thompson.

Mr. THOMPSON: Then, this comes back to the point of the real basic purpose of requiring the banks to hold a reserve. Is it not true that the purpose of requiring banks to hold reserves on deposit with the Bank of Canada is to permit them to expand these reserves in order to increase the money supply in the economy?

Mr. RASMINSKY: It is to limit the extent to which they can do that, Mr. Thompson.

Mr. THOMPSON: You would not say, then, that it is to permit them also to produce that amount of—

Mr. RASMINSKY: I would say that the essence of the matter is that it is to limit the extent to which credit can expand through the operations of the banks and other competing financial institutions.

Mr. THOMPSON: To come back to the near banks, then, you do not limit the near banks? There is no limit upon the near banks?

Mr. RASMINSKY: There is an automatic limit which is imposed on the near banks by their ability to be successful in competition with each other, and with the banks, in attracting deposits and getting the cash reserves that they need to conduct their operations.

Mr. THOMPSON: I would refer you to the testimony of one of your predecessors, Mr. Graham Towers, who stated very clearly in 1939, in answer to a question, two things: One, that banks cannot lend the money of their depositors; and, secondly, that the basis of the reserves is to permit the banks to expand, or to create, money which the economy needs. I find a conflict here between the statements that you have given us and the evidence of Mr. Towers.

Mr. RASMINSKY: I do not know exactly what the line of questioning of Mr. Towers was. I would be surprised if there were, in fact, any conflict between the way I look at the monetary process and the way Mr. Towers looks at the monetary process. I think, probably, the point that Mr. Towers wanted to make is that no one can lend his debts, and that bank deposits are, as I have insisted throughout this evidence, a liability and not an asset.

On the other hand, you can lend the money that you get by increasing your debts, and in this sense the banks do lend the funds that they borrow from depositors and, indeed, they have no other source of funds, except their own capital, for making loans.

Mr. THOMPSON: Mr. Rasminsky, this is a basic difference that I think is fundamental as we consider the difference between banks and the “near banks”. You have said that banks cannot lend their liabilities, and that customers’ deposits are liabilities.

Mr. RASMINSKY: They can lend the money that they get by increasing their liabilities. If they attract more deposits, then they have more money to lend.

Mr. THOMPSON: But is not the whole purpose of the reserve system to give them the money that they need to lend?

Mr. RASMINSKY: The purpose of the reserve system, as I have indicated, Mr. Thompson, is to put a shifting ceiling, so to speak, on the extent to which the process of borrowing and lending can take place in the financial system.

Mr. THOMPSON: But when we pass a bank act and we provide for an authority of reserves, are we not giving to the banks the privilege of expanding those reserves up to a certain limit? Is that not the means by which we are obtaining the money that we need to carry on the business of the economy?

Mr. RASMINSKY: I think, Mr. Thompson, that the process of borrowing and lending is one which is going on all the time throughout the economy, by banks and by other financial institutions. I think that all the institutions are seeking to grow, and for them to grow they have to have a certain amount of cash reserves. This is true of the banks, and it is true of the other non-bank financial institutions.

In fact, as I said in my evidence earlier, I think that it is quite correct to look at the financial process as a struggle, among the various participants in the financial mechanism, for cash reserves. That struggle takes the form of trying to attract deposits by maintaining confidence in the way you are managing your affairs, by providing services and by paying interest.

Mr. THOMPSON: Is it not true that a loan actually becomes a deposit?

Mr. RASMINSKY: At the moment that a loan is made by a bank, or other financial institution, if the proceeds of the loan are credited to the account of the borrower, at that moment there is a deposit on the books of that institution which corresponds to the loan which has been made.

Mr. THOMPSON: That loan, then, becomes a liability.

Mr. RASMINSKY: I do not think I can agree with that statement.

Mr. THOMPSON: Could I—

Mr. RASMINSKY: If I can finish this, Mr. Thompson, there is a deposit in your example which corresponds to the loan, but people do not borrow from banks, or from other financial institutions, for the pleasure of paying interest to the financial institutions. They borrow because they need the money, and since they need the money they are going to spend the money. If that deposit is spent and withdrawn, then the bank, or any other financial institution, will have to dispose of an asset in order to meet the withdrawal of the deposit; and it is the decision of the depositor whether he will maintain that deposit with the institution from which he has borrowed.

Mr. THOMPSON: May I cite just one example to you to help clarify this for my thinking. I am going to use the Bank of Montreal and the Royal Trust Company. I am sure that they will not mind, and I have to use something for an example.

The Bank of Montreal has a thousand-dollar bond in its possession. The Bank of Canada buys this bond, raising the Bank of Montreal's reserves in the Bank of Canada by \$1,000. On the strength of this deposit in the Bank of Canada the Bank of Montreal is able to lend, shall we say, to the Royal Trust Company \$11,500, maintaining by way of a deposit entry to the credit of the Royal Trust Company, which actually becomes a liability as far as the bank is concerned—they have retained the required eight per cent reserve. Then the Royal Trust

re-lends this \$11,500 at eight per cent, 10 per cent, 12 per cent—whatever they are able to get for it—because they are not subject to the restrictions that the Bank of Montreal is. Am I not correct in this example?

Mr. RASMINSKY: With respect, I do not think so, Mr. Thompson.

Mr. THOMPSON: Why not?

Mr. RASMINSKY: Because this is not the way the system works. You have a concept of cash reserves falling like manna from Heaven into the hands of a bank, and then being multiplied.

Mr. THOMPSON: I am not objecting. It is the means by which we get the necessary money into the system.

Mr. RASMINSKY: I understand; but I do not think that this is, in fact, the case. In your example, the Bank of Montreal sells to the Bank of Canada a bond for \$1,000 and its cash reserves are increased by \$1,000. Then you say it makes a loan of, how much?

Mr. THOMPSON: Of the maximum amount.

Mr. RASMINSKY: Twelve thousand, five hundred dollars.

Mr. THOMPSON: Which is now at eight per cent.

Mr. RASMINSKY: Let us say \$12,500. The Royal Trust—

An hon. MEMBER: They make \$11,500!

Mr. RASMINSKY: If they make a loan to the Royal Trust Company of \$12,500 then the Royal Trust Company has a deposit with the Bank of Montreal, of \$12,500.—

Mr. THOMPSON: For which it will have provided some security.

Mr. RASMINSKY: For which it has provided some security. But, the Royal Trust Company is going to withdraw that money, or invest it, or do something with it. Nobody is going to borrow from the bank with a guarantee that 100 per cent of the borrowing is going to be left on deposit with the bank, and if the Royal Trust Company spends the entire amount—withdraws the entire amount—then the Bank of Montreal is going to have to liquidate some other assets.

Mr. THOMPSON: It can withdraw the \$11,500 without affecting the Bank of Montreal's position.

Mr. RASMINSKY: No—

Mr. GRÉGOIRE: Mr. Chairman, I have just one supplementary on this subject. If you start from the principle that when somebody borrows money from a bank it is not to keep it on deposit, how can you explain that the total amount of bank loans is about \$19 billion and the total amount of bank deposits is \$19 million? Will this mean that the total amount of loans is equal to the total amount of deposits?

Mr. RASMINSKY: Well, these are separate decisions, taken by separate people. I would not expect to find any identity between deposits and bank loans.

The VICE-CHAIRMAN: Gentlemen, it is now one o'clock.

Mr. THOMPSON: I just have one question to finish this off because I do not think Mr. Rasminsky is going to be with us again is he?

The VICE-CHAIRMAN: No. I must remind the members that they have received a notice reminding them that there is another meeting this afternoon, but it is not with Mr. Rasminsky. This meeting is to finish Bill No. C-222 with Mr. Elderkin and have his general statement of the amendment of the Quebec Savings Bank.

Mr. Rasminsky is leaving for Europe tonight, and we felt that it would be unfair for him to wait until the Orders of the Day because we cannot foresee when they would be completed.

Mr. FULTON: Will the Committee have another meeting with Mr. Rasminsky when he returns?

The VICE-CHAIRMAN: It will be discussed in our steering committee meeting, but Mr. Rasminsky and the Minister of Finance will be our witnesses later on when we are discussing the different briefs which will be presented. This will start next Tuesday.

Mr. FULTON: Mr. Chairman, if I may take the liberty, I would like to take this opportunity to wish Mr. Rasminsky success. I congratulate him and I appreciate the honour to him and to Canada in his being chosen to give this lecture.

Mr. RASMINSKY: It is very kind of you.

Mr. THOMPSON: We were talking about the differences between near banks and banks. There is just one question I want to leave on the record because we are splitting it in half. If Mr. Rasminsky says there is no difference then what does the Royal Trust Company do with the \$12,500 it has. Can it go ahead and—

Mr. RASMINSKY: It makes a mortgage loan, it buys some nice government of Canada securities—

Mr. THOMPSON: Can they expand this then, in turn?

Mr. RASMINSKY: Yes, certainly. This is inherent in all the evidence that I have given, Mr. Thompson.

Mr. THOMPSON: With no limitation except its own judgment it can expand this?

Mr. RASMINSKY: Without statutory limitation, yes.

Mr. LANGLOIS (*Mégantic*): Mr. Chairman, I have a supplementary question. It is a short one.

The VICE-CHAIRMAN: Order, please. Just one moment.

Mr. LANGLOIS (*Mégantic*): Mr. Chairman, when the deposit is made of \$11,500, or \$12,500, it does not necessarily have to be retrieved from the account in cash.

Mr. RASMINSKY: No.

Mr. LANGLOIS (*Mégantic*): It can be retrieved without any movement of the liquid assets, by circulation of cheques? You could eliminate completely that account by circulation of cheques without any movement of cash at all.

Mr. RASMINSKY: The cheques have to be paid.

Mr. LANGLOIS (*Mégantic*): Yes, I know. But it can be withdrawn entirely by cheques and end up in the chartered bank as a deposit?

Mr. RASMINSKY: It could end up anywhere—in a trust company, a chartered bank, a caisse populaire—

Mr. LANGLOIS (*Mégantic*): It can end up in its entirety back in the same bank as that from which it started?

Mr. RASMINSKY: That is a possibility, but it is the least likely possibility.

Mr. Chairman, while the record is still being kept, may I say that we have prepared the statistical information which was requested on Tuesday. You requested information on the increase in loans of various financial institutions in 1965, and Mr. Clermont requested information on interest rates in various countries to put alongside Canadian interest rates. That information is being tabled with the Clerk of the Committee, and presumably it will be part of the record.

The VICE-CHAIRMAN: Is it agreed that the tabulations will form part of the record?

Some hon. MEMBERS: Agreed.

The VICE-CHAIRMAN: We shall adjourn until 3.30 this afternoon.

AFTERNOON SITTING

The VICE-CHAIRMAN: Gentlemen, order. I do not see a quorum yet, but we will resume our study of Bill C-222. I will ask our witness, Mr. Elderkin, to make some comments regarding the proposed amendment, and then we can deal with them later.

Mr. C. F. ELDERKIN (*Inspector General of Banks, Department of Finance*): Mr. Chairman, with regard to this bill, No. C-222, there are two matters I would like to mention. It will be recalled that our legal adviser on this legislation is of the opinion that subclause 5 of clause 88, referring to the preference of certain primary producers in the case of bankruptcy of a manufacturer, does not properly express the intent that it was supposed to have—and I am now tabling, Mr. Chairman, a proposed amendment in English and in French, which is now being distributed. This is to correct the wording of this clause.

There are two points that are covered in the preamble of the subsection. There was an ambiguity which the draftsman has now corrected. In paragraph 3 of the clause, this amendment is just to make certain that the first \$5,000 of any claim is a preferred claim. This was not clear in the previous amendment. This will be proposed at the proper time when we are dealing with the different sections.

The VICE-CHAIRMAN: Is it agreed that the proposed amendment be included as an appendix to today's minutes of proceedings and evidence?

Mr. CLERMONT: I so move.

Mr. GILBERT: I second the motion.

Motion agreed to.

Mr. ELDERKIN: It has been brought to my attention that in my review of Bill No. C-222 and the differences from the present Bank Act, I overlooked mention of a very important one in clause 75, subclause 2(g). Most members of the committee may be familiar with it as it first appeared in Bill No. C-102 of the last session, and it certainly has had quite a bit of public comment. This clause provides that where more than 25 per cent of the issued shares of a bank are owned by one shareholder and his associates, the bank may not, after December 31, 1967, have outstanding liabilities of more than 20 times its authorized capital stock.

Increases in authorized capital stock of a bank must now be approved by the Treasury Board, and under this bill there is set out the authority by the Governor in Council. That is in clause 32. This provision would enable the government to control the growth of the bank where it is more than 25 per cent owned by one person and his associate shareholders. At present the provision would only apply to two banks, the Mercantile Bank of Canada, which has an authorized capital of \$10 million and the Bank of Western Canada, which has an authorized capital of \$25 million. I thought I should take this opportunity of mentioning this, because I overlooked it when I was going through the bill before.

That is all I have to say on Bill No. C-222. However, there have been certain questions asked of our legal adviser and perhaps Mr. Ryan would like to speak now.

The VICE-CHAIRMAN: Mr. Ryan, would you like to proceed.

Mr. J. W. RYAN (*Legislative Section, Department of Justice*): I have three questions that were left with me from the last appearance I made.

The first question concerns clause 75, subclause (2) paragraph (ii) whereby the bank is restricted in lending money to an employee,

if the principal amount outstanding of loans and advances made to and guaranteed by him, together with the proposed loan or advance, exceeds twenty-five thousand dollars.

The question was whether the National Housing Act, authorizing the banks to make certain loans on mortgages, overrode the restriction in this clause. At the time, I expressed the view that I did not think the National Housing Act would do this. I have since had an opportunity of reading the National Housing Act, and I still am of the view, where the Bank Act restrictions on the general power to make loans on mortgages and other matters are overridden by the National Housing Act, that it is not sufficiently clear that that Act overrides this particular provision, which is not so much a restriction on the general power of the banks to lend money, but a provision relating to dealings within the bank, between the employer and the bank itself. I can find nothing that would justify changing of my point of view. That was the first question.

The second question was raised by Mr. Lambert when the Committee was considering clause 97 of the bill, which is on page 80. That clause relates to transmission on death. Mr. Lambert was interested in the practice of the banks in common-law provinces where there appears to be two forms of a joint account. In the one case there is survivorship and, in the other case, there

appears to be not survivorship, so that the survivor of a joint account must obtain the signature of the personal representative of the deceased joint tenant before the bank will honour his cheque or release the deposit. When that question was passed to me by the Inspector General, I could not relate it to section 97, with the result that I made no answer. The Chairman then asked me to look into it. I think the practice that Mr. Lambert had reference to is probably more relevant to section 96 than it is to section 97, and it arises out of the position of a joint account in equity. I am not too familiar with the practice of the banks, but I did manage to obtain a sample of a current account form, and I find that some of the banks have two forms, one for the province of Quebec and, one for the common-law provinces, relating to the joint account; in the common-law provinces, there are, in effect, two forms, one in which there is an agreement for survivorship and, in the other form, there is no such agreement. I can only speculate how the legal advisers of the bank advised the banks in devising these forms. I think the reason goes back essentially to the equitable rule about joint accounts. If I may, I would like to read what I picked up from Halsbury's Laws of England, Volume 14, page 528 on this particular rule of equity. It seems that: "Equity prefers a tenancy in common" and "—where transactions have been entered into jointly by parties" this preference of equity in many cases excludes the right of survivorship. Thus, where persons purchase property with moneys provided by them in unequal shares and take conveyance to themselves jointly, in the absence of special circumstances, equity treats the property as belonging to them not as joint tenants but as tenants in common and, although on the death of one the survivor hold the entirety of the legal estate, yet in equity the survivor or survivors are considered as being trustees for the personal representatives of the deceased purchaser to the extent of his share in the purchase-money. Where, however, parties make a purchase jointly in equal shares, they are, where no contrary intention is shown, treated in equity, as at law, as joint tenants." But this "rule does not—apply where the purchase is made for—a joint undertaking or partnership either in trade or in any other dealing; for in every case, whether the purchase-money is advanced equally or unequally, equity treats the parties as tenants in common with regard to their beneficial interests in the property.

The VICE-CHAIRMAN: Just a minute. Mr. Lambert, Mr. Ryan is answering one of the questions you were asking regarding Article 96 and 97.

Mr. RYAN: —"Also, where persons advance money jointly on loan, whether equally or unequally, they are treated as tenants in common in equity with respect to their rights, whether their debt is secured by a mortgage, or is merely the subject of a personal contract; and a joint account clause in a mortgage is not treated" in equity "as necessarily excluding several titles to the mortgage money."

Now, so far as mortgages are concerned, I think Mr. Lambert will recall that the Land Titles Act in Alberta has a section—I think it is section 111—with a very hidden proviso referring to an advance on joint account where there is a survivorship, and where the joint mortgage is presumably recognized.

In the Bank Act this joint account position is dealt with in subsection 2 of section 96 and it starts off:

"(2) When any deposit made under the authority of this Act is subject to a trust of which the bank has notice, the receipt or cheque of the

person in whose name any such deposit stands, or, if it stands in the names of two or more than two persons, the receipt or cheque of all such persons"—and the key words are "or of such of them as under the document creating the trust may be entitled to receive such deposit shall, notwithstanding any trust to which such deposit is then subject, be a sufficient discharge to all concerned..."

Now under the forms in use—at least those that have come into my possession—there are only two here—there is a survivorship clause that would meet the requirement of section 96. In practice this clause may be excluded from the form. The form is so devised as to appear to make the other party to the joint account a party to the deposit agreement, and this I think goes back to another problem of the bank's liability to the survivor of a joint account. The above appears to be the practice and section 96 appears to be the relevant section and that is all I can suggest.

Mr. LAMBERT: That is fine, Mr. Chairman. The note I have is for both 96 and 97. I think perhaps the chartered banks may be able to tell us whether they come up against any particular difficulty of operation in regard to this particular clause and the type of contract that they have, and whether there is any uniformity of practice as between the banks.

The VICE-CHAIRMAN: Those are the type of questions that might be asked later of others.

Mr. LAMBERT: This is so. This is what I would propose to do. I know it is prime lawyers' law but it is a problem.

Mr. RYAN: There was one other question that Mr. Lambert raised and it concerned clause 75 subclause (6), the prohibition against a bank acting as insurance agent, or pressuring insurance in a certain direction, and I am afraid that up to now I have not been able to put my finger on the provision to which Mr. Lambert drew attention; I believe it was in the Insurance Act.

Mr. LAMBERT: The Insurance Act of the province of Alberta. It seems to me that is the relevant provision.

Mr. RYAN: I cannot find that particular provision, but it strikes me that I recall a general prohibition against a lending institution pressuring insurance in a certain direction in one of the Alberta statutes but I have not been able to locate it yet.

Mr. LAMBERT: Mr. Chairman, the general provision of this is that it shall be an offence under the act in question for any mortgage company or loan company to make as a condition of a loan under a mortgage that existing insurance may be cancelled and replaced by insurance in a company nominated by the proposed mortgage. In other words, to feed it into a house organization.

I was wondering about this because I raised the same point under the Trust Companies Act and also in connection with this act because while I know that there are what we call approved insurance companies, some mortgagees will insist upon what they call 'board' companies; others will say you can bring in the mutuals. As I say, some exclude them. But it is my view that there should not be any restriction on the type of insurance company providing the fire insurance under any real property mortgage.

The VICE-CHAIRMAN: Do you have any other comment?

Mr. LAMBERT: No, Mr. Chairman.

The VICE-CHAIRMAN: Does anyone want to ask questions for clarification of the statements made by Mr. Elderkin and Mr. Ryan on Bill No. C-222?

I will now call Bill No. C-223, and ask Mr. Elderkin to make some comments.

Mr. C. F. ELDERKIN (*Inspector General of Banks, Department of Finance*): Mr. Chairman, I think that the comment on Bill No. C-223 can be reasonably brief.

To support that remark, we have for some time, since 1954, endeavoured to see that the provisions of the Quebec Savings Banks Act, in so far as possible and appropriate, are the same as the provisions in the Bank Act. There are, of course, some differences. I will call the attention of the committee to the ones that are similar to the Bank Act and perhaps there will be no need to discuss those very much.

I will begin with clause 2 of Bill No. C-223. These two banks operate only in the province of Quebec, and they divide the territory between them so far as operation is concerned. The reason that district is defined is that their charters have referred to the District of Montreal or the District of Quebec.

Perhaps I should mention before we go any further, Mr. Chairman, that these are very old institutions. One of them goes back to 1846 and the other one shortly after that. At the time of Confederation these were really thrift institutions, not unlike co-operatives. They had been started under the sponsorship of the church to provide a place for the savings of the working man, and when the question of what would happen at the time of Confederation was brought forward, they were offered the opportunity of taking out a charter or of turning their business over to a chartered bank or turning their business over to what was then the Dominion Savings Office. These two decided to take out charters and they now operate under those charters under a separate act than the Bank Act. However, while the charters have not been cancelled as is the case in the Bank Act, they are to all intents overridden by the provisions of this act. The proposal here is that the charter of each bank is continued until, at the present time, November 30 of this year. This is by extension of the same expiry date of the chartered banks. The head offices are in the City of Montreal and Quebec respectively. The provision, that at least three-quarters of the directors shall be Canadian citizens, is the same as a similar provision in the Bank Act. That is in clause 12. Also in clause 12 there is a new provision that states that after the first day of July, 1970 a person is not eligible to be elected or appointed a director if he had reached the age of 75 years. This was introduced in the Bank Act in 1954 but it is being introduced in here for the first time.

The provisions regarding directors are very similar to those in the Bank Act except the qualifications so far as shareholdings are concerned.

Mr. VALADE: Mr. Chairman, may I ask a question here? Why, in clause 4 do they put in the 1st of July 1970 for the retirement age?

Mr. ELDERKIN: The reason is the same as in the case of the Bank Act. When a similar clause was brought in in 1954 there was permitted a five year lapse of

time before it would take effect. In other words, it did not have an immediate effect requiring directors presently sitting to resign or not be eligible for re-election for a further period of four or five years.

The idea, at that time, was that there should be a lapse of time before it became effective. In many cases, I might say, in the Bank Act, when this provision appeared, directors who would otherwise have been made ineligible by the legislation voluntarily resigned before it took effect.

(Translation)

Mr. CLERMONT: Mr. Chairman, I note the present Act applies to the Montreal and District Savings Bank. Was that bank incorporated under that name, or did it operate under any other name?

(English)

Mr. ELDERKIN: For the Montreal City and District?

Mr. CLERMONT: Yes.

Mr. ELDERKIN: I think it always has operated under that name since it was first set up in Confederation, so far as I can remember. I would not like to say that was the case because there might have been a change, but I am almost certain. The other bank had its name changed. La Banque d'Economie de Quebec was at one time the Caisse d'Economie de Notre Dame.

(Translation)

Mr. CLERMONT: I note that you speak here of the Banque d'Économie de Québec. They are asserted here to be the Quebec Savings Banks and the Banque d'Économie de Québec. In the case of the Montreal Savings Bank, only the English name is given.

(English)

Mr. ELDERKIN: No. There is an alternative name that we use.

Mr. CLERMONT: I know that.

Mr. ELDERKIN: Pardon me, in the case of La Banque d'Economie de Quebec it was incorporated with two names.

Mr. CLERMONT: That is what I want to find out. Was the Montreal Savings incorporated with only one name first?

Mr. ELDERKIN: That is right. The Act gives permission to use the other versions.

Mr. CAQUETTE: Now, back to section 12(4).

(Translation)

Following July 1, 1961, a person cannot be appointed to the Board if he has attained the age of 75. Was this done on the request of the directors or of those people responsible for the Savings Bank. Has this section been put in here?

Mr. LAFLAMME: What section?

Mr. CAQUETTE: Clause 12, paragraph 4.

(English)

Is it at the request of the administrators?

Mr. ELDERKIN: By the decision of the government so it would bring it into line with the chartered banks.

(Translation)

Mr. CAQUETTE: But what about the directors of the Savings Bank? Have they been asking for this provision?

(English)

Mr. ELDERKIN: No, the directors have not asked for this provision. The government decided to put it in so it would coincide with the similar provision in the Bank Act.

(Translation)

Mr. CAQUETTE: But how, then, is it possible for the government to take a decision along those lines without the directors accepting that point of view?

(English)

Mr. ELDERKIN: Because the law would rule.

Mr. CAQUETTE: The law was overruled or the law will be overruled.

Mr. ELDERKIN: The law rules.

Mr. CAQUETTE: Well, I know the law rules but the law has to meet the wishes of the people, sometimes.

Mr. ELDERKIN: Well this was a government decision as such. Let me put it another way; there has been no opposition to it that I have heard.

Mr. CAQUETTE: I do not know but I feel that some people that are over 80 years old are younger than people that are only 45 in the House of Commons.

(Translation)

Mr. CLERMONT: Mr. Chairman, on a point of order, if I may follow upon the remarks made by the member for Villeneuve. Obviously chartered banks might have preferred the interest rate to disappear long since.

Mr. CAQUETTE: Mr. Trudeau would have liked that.

Mr. CLERMONT: I am speaking of the chartered banks.

(English)

The VICE-CHAIRMAN: I will ask Mr. Elderkin to continue.

Mr. ELDERKIN: The provisions regarding the directors being Canadian citizens ordinarily resident in Canada are the same as the provisions in the Bank Act.

Mr. VALADE: Mr. Chairman, may I ask a question on the requirements that three-quarters of the directors be Canadian citizens. Why is it limited to three-quarters? Is there a reason we should open the door to allow one-quarter of the directorships to go to foreign representatives on these banks?

Mr. ELDERKIN: This again, is exactly the same provision, Mr. Valade, that is in the Bank Act too. Again, we are trying as much as possible to match the two of them up. To the best of my knowledge, there is not a non-Canadian on the board of either one of the savings banks. This would be entirely a matter of their choice. This is not a requirement that there should be more; it just sets a lower limit.

Mr. VALADE: In practical terms it means that there are no persons other than Canadian citizens holding directorships. What amazes me is why we should have that opening in this provision. Banks are concerned with the deposits of Canadian citizens and serve Canadian interests, and I do not know why we should have this restriction in the Bank Act or even in this bill.

The VICE-CHAIRMAN: Mr. Valade, if I may interject just for a moment. Mr. Elderkin actually is pointing out the provisions in Bill No. C-223 that are similar to those in Bill No. C-222 on which all members have had the opportunity to question. I do not want to restrain any member from putting a question but I just want to remind members of this.

Mr. VALADE: I do not want to press the point, Mr. Chairman, but as you know, we are required in the House and it is very tedious running back and forth. It is pretty difficult to be in two places at one time. Since this is a new bill I felt the same provision could be discussed in this committee. I just asked for information because I think it very illogical that we should have this provision.

The VICE-CHAIRMAN: I do not want to rule your question out of order, but I think it is the feeling of the members that questions that have been already asked on the similar bill, Bill No. C-222 should be repeated because, actually, we are studying the provisions of Bill No. C-223, which are all similar to Bill No. C-222.

Mr. ELDERKIN: I think, Mr. Valade, I might say probably in operation, in fact, this is academic because with these organizations the probabilities are that at the most they might have one director who is a non-Canadian. But there is some merit, I think, in having many provisions of the Bank Act and the Quebec Savings similar.

Mr. VALADE: I understand, Mr. Chairman, the difficulty of discussing this in parallel with the Bank Act, which is not what I was trying to do. I was trying to find the logic in this provision since, in practical terms, it does not seem to apply. But, it does leave the door open that it could happen, in the eventuality of dealings with different countries, that there would be this interest of foreign administrators in our banking system up to one-quarter of the board.

Mr. ELDERKIN: You will come later on, Mr. Valade, to the sections, which are again identical with the Bank Act, on the question of ownership of shares, so you can be assured that the ownership of the shares is going to be at least three-quarters Canadian.

There is nothing of any general interest in clause 10. We were up to 15(c), and that was a matter of where a director could lose his position by reason of the fact he ceased to be a Canadian citizen ordinarily resident in Canada and as a result thereof he was illegally elected. I will point out, so I will not be repeating myself, when we do come to a place that is different from the Bank Act. The ones I am mentioning are similar to the Bank Act.

We have in clause 8 the amount of capital stock of each of the banks. This, in the Bank Act, of course, is in a schedule. Since there are only two here it is spelled out in the clause. Again, these people may, and have, actually, reduced the par value of their shares to one dollar per share; both these banks have done this.

Section 26 provides for the issue of new shares and has, in paragraph (d), the restriction which is common to both acts, where an issue would violate the ownership ratios that appear later in the act.

In clause 27 we are offering the same amendment which you have before you, which was tabled today. "Not earlier than the 90th day" is changed to read, "not earlier than the 30th day."

The VICE-CHAIRMAN: I will ask Miss Ballantyne to give copies of the amendment to the members.

Mr. ELDERKIN: I will explain this one and it can be distributed later. I explained it before on the Bank Act. This is a change similar to clause 33, which is just shortening the period of time during which the offer may be outstanding to the shareholders. This is a very old section and the necessity of having a period of 90 days is not relevant anymore, particularly in the case of these banks where practically all their shareholders are in the province of Quebec and have easy access.

Again there is a small amendment which the Clerk will give you in a minute. Shall I wait until they are distributed?

The VICE-CHAIRMAN: Well, those amendments already were introduced when we were studying Bill No. C-222, and we have to reproduce identical articles today.

Mr. ELDERKIN: The Chairman has said these amendments have already been tabled with respect to Bill No. C-222.

The VICE-CHAIRMAN: We have to table them again because this is a different bill.

Mr. LAMBERT: Could we have, perhaps, Mr. Elderkin, a precise indication of the clause you are on so we can follow.

Mr. ELDERKIN: I did mention clause 9 and that there was an amendment there which would be the same as the amendment in Bill C-222, and it is only for clarification in bringing the various terminologies into line—making them uniform. It just replaces certain words; we are taking out "occupation" because it has no value in the present day.

The VICE-CHAIRMAN: So you say it is the same?

Mr. ELDERKIN: We are taking the requirement to state the occupation out. This has no value, actually, any longer; in some other places in the act it is not required, and this makes it uniform.

There are no changes in this bill now until we get to clause 37. Clauses 37 to 44 replace former sections 37 to 42 and are identical in wording to clauses 44 to 51. They are the ones, Mr. Lambert, on which you raised some question and which Mr. Ryan spoke to a few minutes ago, namely, the ownership and transmission of shares. They are identical to the clauses in the Bank Act.

In clause 44(1) there is a similar amendment to the Bank Act and it simply provides, as I explained in referring to clause 51 in the Bank Act, that the bank will have the power to require satisfactory documentation before making a transmission of the shares.

Clauses 45 to 49 are the same as the ownership clauses which we discussed in clauses 52 to 57 of the Bank Act. They are identical with those clauses, along with the amendments which were tabled with respect to those sections. I think I can explain this later on because all the amendments which we are proposing here are similar to those in the Bank Act, which you have all seen. But, I thought they were sent to you.

Mr. LAMBERT: I have a question with respect to section 45(2), the definition of an associate shareholder. How does this come about in relation to the definition of associated shareholders and associated companies under the Income Tax Act in the amendments that have been passed in the last five years. Under the Income Tax Act we have the nefarious introduction of ministerial discretion.

Mr. ELDERKIN: Well there is no ministerial discretion involved in this.

Mr. LAMBERT: No, but are the criteria under the Bank Act for the determination of who shall be an associated shareholder parallel with those under the Income Tax Act?

Mr. ELDERKIN: I would not be able to answer your question definitely but I would say we did not take the Income Tax Act into consideration in drafting the provisions here. These are associate only in the matter of ownership of shares.

Mr. LAMBERT: The same thing applies to the Income Tax Act, does it not?

Mr. ELDERKIN: On the voting of shares.

Mr. LAMBERT: Yes; the same applies under the Income Tax Act. It would be rather ludicrous if there should be some disabilities that arise under this act with regard to associated shareholders as defined in this act, and that there be a different conclusion in the Income Tax Act on who are associated shareholders.

Mr. ELDERKIN: It would be quite possible, from an income tax point of view, that there might be quite different reasons. Granted, though, that as far as associates are concerned, I think that they are almost identical, at least with the ones that you approved in the Insurance, Trust and Loan Companies Act a couple of years ago.

Mr. LAMBERT: That could be; but we have had some progression since the Income Tax Act.

Mr. ELDERKIN: With amendments, they are exactly the same as clauses 52 to 56 of the bank bill.

This takes us to clause 50 in which there is no change. In 51 and 52 there is no change, and they are also similar to the bank bill.

Clause 53 has been amended quite substantially, and I must apologize—it is my fault—for not having the amendment here. It has been amended to bring it into line with the bank bill. In other words, the banks will now be required to have a uniform financial year—the same financial year—with the chartered banks, namely, the 31st of October in each year.

I might say that this was thoroughly discussed with the banks, that the banks have accepted it, and that they have already put it into operation even before the bill. The two savings banks are closing their financial years on the 31st day of October.

We are also putting in here the same provision regarding disclosure as you have in the Bank Act. The amendments are identical and the wording will be identical so far as this provision is concerned. In other words, these two savings banks will, in turn, be required to disclose in their annual statements in the future the total of their accumulated appropriations, or, in other words, what is now known as "inner reserves".

I think, perhaps, I should mention the reason for the change of title from "inner reserves" to "accumulated appropriations". The accounting profession is trying to—what shall I say—clean up this word "reserves". It is used in so many different kinds of categories at the present time, with entirely different meanings—including the discussion you had this morning on cash reserves—that we are trying to find a more appropriate title for it, and they will, in the future, be known as accumulated appropriations.

The VICE-CHAIRMAN: While the clerk is distributing to all the members the proposed amendments all of which have already been approved while studying Bill No. C-222, may I ask that at any time there is an amendment to any of the articles, we have a motion that those amendments be printed as an appendix to our proceedings?

Mr. ELDERKIN: I am sorry that this did not get into a French translation. I thought it had, as a matter of fact. We shall see that it does get a French translation as quickly as possible, and will have these distributed to you. I was under the impression that it had been done. I will say that for all of these amendments I can give you the corresponding amendments to Bill No. C-222. They are identical. Those you have had, I am glad to say, are translated now.

The changes in clause 55, again, are the same changes which appear in the bill and in the amendments to the bill, as were given on Bill No. C-222. These are the clauses which make the auditors responsible for all of the financial statements of the bank instead of only the statement of assets and liabilities of the bank, as in the past. They will now be responsible for the correctness of all of them.

We have no further changes, Mr. Chairman, until we get to clause 61. This is a minor change. "The directors may close the registers of transfers for a period, not exceeding 30 days—" It was previously 15 days. The idea is to give a little more time for the registers, that is all.

When we get to clause 63, there is a considerable difference between it and the legislation respecting chartered banks. These are the provisions regarding cash and secondary reserves. The cash and secondary reserves of the savings banks are quite different from those of the chartered banks. One could say that they were more liberal, perhaps, than the chartered banks.

The requirements, so far as the savings banks are concerned, are that they shall maintain a cash reserve of five per cent of their deposit-liabilities payable in Canadian dollars, and this reserve can be in the form of notes of the Bank of Canada, deposits with the Bank of Canada, and deposits with a chartered bank.

You will remember that, as regards the chartered banks, it was a reserve formula which amounted to approximately 6.6 per cent of their overall deposits, and that these must be in notes of deposit with the Bank of Canada. In the case of these two banks, they have an option. They can place part of their deposits with the Bank of Canada and part with a chartered bank or banks, and they both

do. On some part of their deposits with the chartered banks they are drawing interest. In the case of these banks, one of them maintains a fairly substantial deposit with the Bank of Canada for clearing purposes only. The other one, while it has access to the clearing house, uses one of the chartered banks to act for it and therefore does not have to maintain any substantial deposits for that purpose with the Bank of Canada.

The secondary reserve of the savings banks is not a stand-by secondary reserve such as it is in the case with the chartered banks, but has a completely different composition. It is made up of notes of the Bank of Canada, deposits with the Bank of Canada or chartered banks—that is the excess over cash reserve—and the securities issued or guaranteed by Canada or a province, payable in Canadian currency. This is not restricted, as it is in the case of chartered banks, to treasury bills. They are entitled to hold any other securities of Canada or a province. The result of this is that they can place most of their secondary reserve and do place most of their secondary reserve, although not all of it, in the form of securities of Canada or the province. The requirement is only 15 per cent of deposit liabilities, and this is really no hardship on the savings banks because they would be certain to keep at least this amount in government bonds, anyhow, for their operations.

The rest of that section refers only to how these are worked out for the purpose of the return.

Did you want to ask me a question on that particular point, Mr. Grégoire?

MR. GRÉGOIRE: Yes; on article 63.

(Translation)

Mr. Elderkin, in Bill C-222, the chartered banks inevitably are at a considerable disadvantage compared with the savings banks because they have to keep 6.6 per cent of their reserves while the savings banks have to keep only 5 per cent of their reserves in the Bank of Canada. That is to say, 6.6 per cent of the deposit liabilities of the chartered banks bring in nothing, while 5 per cent only of the deposit liabilities of the savings banks brings in nothing. The secondary reserve is not binding on the chartered banks. On the other hand, the secondary reserves, even though binding do bring in a return, if they are kept, for example, in the form of securities issued by Canada or by a province. For example you have the Province of Quebec securities which bring in 6 to 6.25 per cent at the present time and Quebec Hydro even more. Why should you have this discrimination towards the chartered banks, Mr. Elderkin? Is there some compensatory advantage for the chartered banks to make up to them for this discrimination under the terms of clause 53 of Bill C-23, as compared with the provisions of Bill C-222? If there really is a discrimination, it seems to me it ought to be corrected. If there are advantages which the chartered banks do get somewhere else, then we ought to know about them.

An hon. MEMBER: Are you now becoming a defender of the chartered bank?

(English)

MR. ELDERKIN: Actually, Mr. Grégoire, as was explained this morning by the Governor of the Bank of Canada the cash reserves operation of the chartered banks is the fulcrum of monetary control. These two savings banks are in a completely different type of business. The chartered banks do a very large

percentage of their lending in the commercial field. These banks do not make commercial loans.

Mr. GRÉGOIRE: Which banks?

Mr. ELDERKIN: The savings banks do not make commercial loans, and do not wish to make commercial loans.

Mr. GRÉGOIRE: Why not?

Mr. ELDERKIN: They do not ask to. They do not want to. They are in the savings business for investment, mostly in the securities of Canada and the provinces, and in mortgages and in personal loans.

Mr. GRÉGOIRE: Would they be entitled, according to their Act, to invest in business?

Mr. ELDERKIN: They cannot make commercial loans.

Mr. GRÉGOIRE: Is there something in the act?

Mr. ELDERKIN: They can only do what is in their act, and there is no provision that they may make this type of loan. Both of these are, in effect, statutory corporations, and they have no powers which are not given to them by the Act.

(Translation)

Mr. CAOINETTE: What is the difference between a savings bank such as we have here and a Caisse Populaire in the Province of Quebec or a credit union outside Quebec?

(English)

Mr. ELDERKIN: The Caisse Populaire and the credit unions are co-operatives and—

Mr. CAOINETTE: Are these not co-operatives?

Mr. ELDERKIN: No; they are joint stock banks. Their stock is all owned by the public.

(Translation)

Mr. CAOINETTE: Now, when it is said in this bill under clause 63 that a savings bank has to maintain a cash reserve of 5 per cent of its deposit liabilities, or 15 per cent in the case of secondary reserves, are they in exactly the same position as the chartered banks? As the member of Lapointe said just now, the chartered banks have a reserve of 6.6 per cent. Yes, I am speaking of reserves. 6.6 of the deposit liabilities which it has. So there is all the difference in the world between the chartered banks, which can go and create money over and above the 6.6 per cent while the savings banks can have only 5 per cent of their deposit liabilities in guaranteed form, either in a chartered bank or the Bank of Canada, it does not matter which.

The VICE-CHAIRMAN: I think that the witness has already answered this question.

Mr. GRÉGOIRE: But why should there be this discrimination against the chartered banks? Because clause 72 of Bill C-22 does force the chartered banks

to keep 6.6 per cent of their capital in unproductive form, whereas clause 63 of Bill C-223 forces the savings banks to keep only 5 per cent in that form.

The VICE-CHAIRMAN: I have no objection to these questions. I do think that Mr. Elderkin has already answered them. The savings banks do not have the same function. Excuse me. There is a difference between the two.

(English)

Mr. ELDERKIN: They do not have the same function. The savings banks, as I mentioned before, are not in commercial loans, for one thing. Secondly, I think the governor said to the Committee this morning that he would consider that the cash reserves of the chartered banks had to be greater than they absolutely needed to work on in order to operate monetary policy. He was asked where he would set the amount of cash reserves that a bank should have, and I think his answer to that was that, from his point of view, he would set it at a point greater than the bank itself would probably want; and he wants this entirely from the point of view of exercising monetary policy. Monetary policy does not affect directly the savings banks; it affects them indirectly, of course, the same as it affects any other savings institution.

I do not think there is anything further I can explain on that, because the necessity of a cash reserve is not so great in a savings bank, because the deposits are not as volatile, and they have practically no demand deposits at all; practically all their deposits are savings deposits, and the movement is not great in global amount.

(Translation)

Mr. GRÉGOIRE: Well, Mr. Elderkin, if we have these other conditions, why does the Bill require the savings banks to retain a secondary reserve of 15 per cent whereas it does not force the chartered banks to do that. If the deposits of these banks are less volatile and investments are more stable, why should they be forced to maintain a secondary reserve of 15 per cent while this condition is not imposed on the chartered banks?

(English)

Mr. ELDERKIN: It does not need to be imposed on the chartered banks.

Mr. GRÉGOIRE: It is not imposed?

Mr. ELDERKIN: I say it does not need to be imposed on the savings banks—I beg your pardon—or on the chartered banks either, because in both cases you will find that this particular type of investment is far in excess of 15 per cent, voluntarily.

(Translation)

Mr. GRÉGOIRE: Yes, but the wording of Bill C-22 regarding the chartered banks with respect to secondary reserves says "if the bank is required by the Bank of Canada". That is to say there is freedom, it is not mandatory, it is not a continuing obligation. Under special conditions, the Bank of Canada should be able to force them to do this, but under the terms of the Bill, this is not going to be the case. Under the Savings Bank Act, on the other hand, under clause 23,

paragraph 2, the banks must maintain a secondary reserve. That is mandatory while in the other it is not.

And then you simply say that the savings banks deposits are more stable. Even if they are, is that the reason why they are required to maintain the 5 per cent cash reserve with the Bank of Canada. But even if they are more stable, the law is going to force them to maintain a secondary reserve. Now, why should this obligation exist?

(English)

Mr. ELDERKIN: I have tried to explain to you that it would not make any difference if an obligation was there or not. These banks would definitely maintain, or certainly, should maintain at least 15 per cent in this type of secondary reserve. Secondary reserve of a savings bank, as required by law, is quite a different thing from the secondary reserve which may be imposed by the Bank of Canada upon the chartered bank. The secondary reserve of the chartered banks, if imposed by the Bank of Canada, would consist in usual times of very low interest-earning assets, namely, day to day loans and treasury bills. Admittedly, day to day loans and treasury bills are now on a fairly substantial income basis, but a few years ago they would have been down to less than one per cent. These are, or can be, all high interest earning assets. The composition of the reserve is completely different, and whether it was in here or not my own view is that we would take a very dim view of a savings bank which did not maintain this because this is about the only thing that they really have to drop back on, which they do, if they are required—outside, of course, of their borrowing power. These are the reasons why there is this requirement of 15 per cent in government and provincial securities, which goes back as long as I have been here, and at no time, actually, do the savings banks ever get down to the 15 per cent.

(Translation)

Mr. CAOINETTE: Mr. Elderkin, regarding the difference between the savings banks and the chartered banks, as you have said just now, the difference is that the savings bank is not really "operating monetary policy." I quote your words, "the chartered bank is definitely operating monetary policy". Now whether it is 15 percent or 5 per cent, in the case of the savings bank, it is quite clear that the savings bank cannot lend more than it has. Whereas the chartered bank can enter into the field of "operating monetary policy" and create the credit necessary for economic expansion or economic depression. We should know the difference between the two. There is no other way of finding out.

(English)

Mr. VALADE: Mr. Elderkin, may I ask a question to clarify this matter. My two colleagues do not seem to understand what you mean when you say the nature of the business is different. Is it because the 15 per cent requirement is a must for that kind of savings bank because of the guarantee that they have to keep in the banks because of the nature of the transaction with their clients, while the other one has a more fluctuating deposit which may require less guarantee to the depositors. Is that the nature of this?

Mr. ELDERKIN: No. Mr. Chairman, I do not want to get into a discussion about monetary policy because it is not my field, but what I said earlier was that

savings banks have practically no demand deposits. These are all savings deposits. The deposits which fluctuate very greatly over periods of time, or which may fluctuate greatly, are the commercial deposits. These the savings banks do not have except sometimes on a term basis. The result is that it was considered that the cash reserve which they needed to carry did not require to be as high as in the chartered banks; but I repeat, if I may, for the last time, that the chartered banks are the means of operating the monetary policy of the central bank. These are different banks entirely.

As I said, I do not pretend to be an expert on monetary policy and I would rather not get into it. You can save that for the Governor, if you do not mind.

(Translation)

Mr. GRÉGOIRE: The idea is not to direct the questions to you on Canada's monetary policy. We are trying to find out what is the difference between the chartered banks and the savings banks. And my friend Mr. Lambert asked about that on the first day. We spent a whole day trying to find out and with Mr. Rasminsky we spent a considerable amount of time.

The VICE-CHAIRMAN: Just a moment. If you have a question to direct to Mr. Elderkin, please ask it. We are not here to engage in grievances against other witnesses whom we have already heard.

Mr. GRÉGOIRE: I am not complaining, Mr. Chairman, but I would point out that the purpose of our questioning, is to determine the difference between the chartered banks and the near banks. Mr. Elderkin has given us a difference between the chartered banks and the savings banks; it is a difference which amounts to saying that one can make commercial loans and the other one can't. Is that right, Mr. Elderkin?

(English)

Mr. ELDERKIN: No; there are several differences, as spelled out in the act, Mr. Grégoire. If you compare the two acts you will find a great many differences between the savings banks and the chartered banks in their powers as regards investment authority, and, for instance, in their reserves and other things. There are quite a number of differences. In operation we try to set down as many similar legal qualifications or provisions as possible, but they deal in an entirely different type of business from a chartered bank, and therefore they must have different investment powers. For instance, these banks cannot invest in non-Canadian securities, but chartered banks can.

I could go on and list several, but I think if you read the bill, Mr. Grégoire, you will find that the differences are spelled out quite clearly in the two acts.

(Translation)

Mr. GRÉGOIRE: It is obvious that we can see the difference in the management of the banks, or the institutions, but so far as the banking business is concerned—

(English)

The VICE-CHAIRMAN: I am sorry to interrupt the question, but could we, would it be possible to continue with the similarities between Bill No. C-223 and Bill No. C-222, and then if you want to ask the kind of questions that you are asking right now you may be allowed to put your questions.

(Translation)

Mr. GRÉGOIRE: On the other Bill, C-222, on every clause, we were able to direct questions. Now we get to C-223. On C-222 we have asked questions, so now, if you want me to wait, I am in no hurry, but it is under clause 63 that I particularly wish to ask questions.

The VICE-CHAIRMAN: I fail to see the relation between your question and clause 63.

Mr. CAQUETTE: There certainly is a relation to clause 63 which is before us at the present time, and clause 72 of Bill C-222 which states quite clearly the difference between the savings banks and the chartered banks. So we are trying every possible means to determine what exactly the difference is between the two.

The VICE-CHAIRMAN: Three times so far Mr. Elderkin has replied—

Mr. CAQUETTE: I have been asking the same questions time and time again and I am not getting any answer.

Mr. GRÉGOIRE: Could you allow us to direct the question to Mr. Elderkin? According to Mr. Elderkin, the savings banks keep 5 per cent of their reserves in the Bank of Canada and the chartered banks 6.6 per cent the principal reason being that the deposits of the savings banks are more stable.

(English)

Mr. ELDERKIN: Not entirely, Mr. Grégoire, I said, and the Governor said this morning, that the cash reserves of the chartered bank is the method and means by which the central bank operates the monetary policy. I would suggest to you that if you want to go further than that you should wait for the Governor to return.

Mr. CAQUETTE: Do you admit, Mr. Elderkin, that the monetary policy, through the Bank of Canada, is in the hands of the chartered banks of Canada—

Mr. ELDERKIN: No.

Mr. CAQUETTE: —and that it is not at all in the hands of La Banque d'Épargne in the province of Quebec?

Mr. ELDERKIN: I do not admit any such thing. I admit that the monetary funds are in the hands of the Bank of Canada, with the chartered banks acting—

Mr. CAQUETTE: With the chartered banks acting as agents.

Mr. ELDERKIN: Acting as agents, right.

Mr. CAQUETTE: With special treatment—

Mr. ELDERKIN: I think we are getting into a subject which is not in my field at all. We will wait until the Governor returns.

(Translation)

Mr. GRÉGOIRE: Might I point out that personally I cannot very well understand why the savings banks have to keep only 5 per cent of their reserves in the Bank of Canada, while the chartered banks keep 6.6 percent. There is a difference of 1.6 per cent and I really can't see why there should be this discrimination against the chartered banks.

(English)

Mr. ELDERKIN: I have tried to answer that question on a couple of occasions.

(Translation)

The VICE-CHAIRMAN: I feel that there is no point in this, that clarification is not obtained by repeating questions. It may well be that one is not satisfied with the answers that are given, so I would really ask—

Mr. GRÉGOIRE: Would you allow me to make my question more precise? I am asking the question because there appears to be a contradiction in the answer. I think you will agree with me. I am told that the savings banks keep 5 per cent of their reserves with the Bank of Canada because their deposits are less volatile. The chartered banks have less stable deposits and therefore have to keep 6.6 percent. It seems to me that there is a contradiction of principles there—

The VICE-CHAIRMAN: One moment, one moment—

Mr. GRÉGOIRE: The contradiction is not with Mr. Elderkin, it is because of the law.

(English)

The VICE-CHAIRMAN: I would ask that all members refrain from interpreting or contesting the testimony, or the evidence.

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, I do not contradict—

The VICE-CHAIRMAN: Excuse me, I am simply trying to say to all the members that if they have other questions to ask let them ask them, but for the moment, I forbid them to repeat for the fourth or fifth time questions which have already been asked and which have already been answered by the witness.

Mr. CAQUETTE: Why are we here?

(English)

Mr. ELDERKIN: Excuse me, but I would like to correct Mr. Grégoire.

Mr. GRÉGOIRE: I have not finished yet.

Mr. ELDERKIN: No; but let me correct you at this stage.

Mr. GRÉGOIRE: I have given only half of my statement. It will not be fair to me if you correct only half of my statement.

Mr. GILBERT: This is the third time he has asked the same question.

Mr. GRÉGOIRE: No; I never had the opportunity—

Mr. GILBERT: Mr. Elderkin has gone into it fully. Must we continue?

Mr. GRÉGOIRE: I would hope so.

The VICE-CHAIRMAN: I will ask Mr. Elderkin to continue.

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, you interrupted me in the middle of my question. I have not yet managed to ask my question in full, you have interrupted me every time.

The VICE-CHAIRMAN: Well, if you do have a different question, just ask it.

Mr. GRÉGOIRE: Well, I will continue where I was left at. The point is that 5 per cent in the savings banks is sufficient because the deposits are more stable compared with the unstable deposits of the chartered banks which have to deposit 6.6 per cent. In the same clause the Act is contradicted because it requires the savings banks to do something which the chartered banks are not obliged to do, I am speaking of the 15 per cent secondaries. Don't you think that there is a contradiction there? Don't you think that there is a contradiction in this section of the Savings Banks Act?

Mr. CLERMONT: Mr. Chairman, what is the difference between that question and the preceding question asked by the member? It is exactly the same question, I think there is no difference at all.

Mr. CAQUETTE: Mr. Chairman, when the member for Labelle says "please listen to the same questions—"

Mr. CLERMONT: Well, I will tell the honourable member for Villeneuve this is his first presence here.

Mr. CAQUETTE: It is the first time I have been here, but we could do without your presence.

Mr. CLERMONT: There is a difference of opinion here.

Mr. CAQUETTE: Mr. Chairman, the point—

Mr. CLERMONT: Is the honourable member of Villeneuve a permanent member of this Committee?

Mr. CAQUETTE: I am elected here, I have no lessons to receive from the honourable member for Labelle.

Mr. CLERMONT: No, but I had occasion to give his son a lesson.

Mr. CAQUETTE: The question is very simple, we are trying to find out from Mr. Elderkin why are the poor chartered banks so badly treated while special treatment is accorded to savings banks?

(English)

Mr. ELDERKIN: Mr. Grégoire, I tried to interrupt a moment ago. You gave only part of the reason. I said that in some of the chartered banks deposits were more volatile. That is only one of the reasons. If you were here this morning, you heard the Governor say that the chartered bank cash reserve was set deliberately higher than was needed in order that he could have a more orderly monetary policy. This was why I tried to interrupt you, because this was a more important point than the one you made.

Could we proceed, Mr. Chairman? We are getting into a field which is not mine, and it is a matter of policy. Therefore, you will have to talk to the Minister and not to me.

(Translation)

Mr. VALADE: I would like to raise a point of order. We must follow here the same procedure as in the House of Commons and the Chairman must apply the rules. If Mr. Grégoire is not satisfied with the answers, he can always move a

motion designed to amend the rules. He could at least present something to the Committee that could satisfy him. But he must accept the answers which are given here and he should not delay the proceedings of the Committee.

The VICE-CHAIRMAN: I believe your point of order is well taken and I would like Mr. Elderkin to continue.

Mr. GRÉGOIRE: I believe Mr. Elderkin's last answer is satisfactory to me, he told me that the 6.6 per cent as compared to 20 per cent, would allow the Bank of Canada to exercise better control over the economy through the chartered banks.

Now, I would like to put another question. If the chartered banks only retain reserves of 6.6 per cent and if this allows for satisfactory control by the Bank of Canada over monetary policy, does this not mean that now that the savings banks have 20 per cent reserves, secondary or primary reserves, they can have some effect on the economy of the country? The Bank of Canada—

(English)

Mr. ELDERKIN: Mr. Grégoire, you are in a field which is not mine at all. I suggest that this type of question you should reserve for the governor of the Bank of Canada. My particular field is inspection, not monetary policy.

If we move on to section 64, this deals with the destruction of all records, which corresponds entirely with the Bank Act—

The VICE-CHAIRMAN: Mr. Elderkin, I do not want to interrupt you, but I have to leave the meeting. With the Committee's permission I would ask Mr. Lambert to act as chairman for the balance of this meeting.

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, as a matter of information, Mr. Lambert as Chairman could answer that perhaps. If we have at any time lack of quorum during this afternoon's sitting, would this then be a valid sitting?

Mr. LAMBERT: We have always had a quorum, as far as I can see, the only thing is that we should not carry motions. Mr. Grégoire knows of course that committees operate in this way, usually it is not found necessary to raise little points like that.

(English)

Mr. ELDERKIN: We will now move on to clause 65, business and powers. These, of course, are quite different from the chartered banks in some respects. It is necessary in a bill of this kind, as it is in the chartered banks, to spell out just what powers they have.

In subsection (1) of clause 65 there are the general provisions which permit them to deposit money with the Bank of Canada and to borrow money from the Bank of Canada, or from a chartered bank.

In subsection (2) there are the prohibitions are very much like the ones in the Bank Act; for the most part quite similar to the ones in the Bank Act.

The ACTING CHAIRMAN (Mr. Lambert): Mr. Elderkin, the difference between this act, or the powers of these banks and the chartered banks, is that they shall not lend money unless they are permitted to by the act.

Mr. ELDERKIN: That is right. You start off with a general prohibition and then you start with the exemptions to the prohibition. Their investments and

securities, as you will notice, are those payable in Canadian currency, or shares issued in Canadian currency, or shares of a chartered bank.

In clause 67 you find that they have the same powers as the chartered banks as far as buying and lending on National Housing Act mortgages.

The ACTING CHAIRMAN: I have one question, Mr. Elderkin. As a point of information, is there any substantial holding in any of the shares of a chartered bank by any of the savings banks?

Mr. ELDERKIN: No, not substantial in relationship to the total investment portfolio, nor any place near a 10 per cent holding, as would be prohibited by the other act.

Mr. MORE (*Regina City*): Are there any shares of these banks, Mr. Elderkin, held by chartered banks?

Mr. ELDERKIN: I do not think there are. I cannot recall if there are any, sir. I would not be sure about that, but I cannot recall ever seeing any shares. There are shares held by these banks in the chartered banks, and it is specifically provided that they may.

(*Translation*)

Mr. GRÉGOIRE: Under 66(a): "the bank may invest in securities payable in Canadian currency of a corporation incorporated in Canada." Is this a Canadian commercial corporation, which has commercial operations in this country?

(*English*)

Mr. ELDERKIN: Any corporation.

(*Translation*)

Mr. GRÉGOIRE: The bank may make commercial loans to a commercial operation?

(*English*)

Mr. ELDERKIN: No. They may buy the securities of the commercial corporation, with some qualifications, later on, but they may not make loans to commercial corporations.

Mr. GRÉGOIRE: They may invest in commercial corporations?

Mr. ELDERKIN: In the shares or securities of the commercial corporation.

(*Translation*)

Mr. GRÉGOIRE: Under 67, can it make mortgage or hypothec loans on commercial premises, industrial premises?

(*English*)

Mr. ELDERKIN: Well, clause 67 refers entirely to National Housing Act mortgages. Later on we will come to conventional mortgages. I am sorry, yes, they can. Later on you have some provisions which limit the amount which they may lend.

Mr. CAOINETTE: Those banks will be included in the National Housing Act or something like that?

Mr. ELDERKIN: The limit on the total amount of money or proportion of assets they may lend on mortgages, including those under the National Housing Act.

Mr. CAOINETTE: But they can lend on commercial buildings.

Mr. ELDERKIN: They may lend on mortgages on commercial buildings. They cannot now; the amendment would permit them to do so.

In clause 68 you have the type of loan that they may make. This is where they cannot make commercial loans because, for the most part, they are restricted on the type of loan they may make. They can loan on securities and shares mentioned in the previous clause 66, where the value of the securities is not less than the amount of the loan. They may lend on a life insurance policy. They may lend, and this is new, on a promissory note endorsed for acceptance by a chartered bank. This is the power to lend on the banker's acceptances, which is a fairly recent money market instrument and on which they now will be able to lend.

In clause 69 it says the bank may lend money and make advances without security to the government of Canada or a province.

In clause 70 it spells out the other borrowers who may borrow without security, that is, municipal corporations, school corporations, fabrique de paroisse, ecclesiastical and religious corporations. There are quite a number of them.

Mr. VALADE: Mr. Chairman, is this the same provision as contained in the Bank Act itself?

Mr. ELDERKIN: No. There is no restriction like this in the Bank Act at all.

Mr. VALADE: This is different from its operations?

Mr. ELDERKIN: All of these investments and the business of powers are different from those in the Bank Act.

Mr. VALADE: This does illustrate that in some ways their operation is different from the chartered banks?

Mr. ELDERKIN: Very different and more restricted, considerably more restricted.

Mr. CAOINETTE: Even clauses 68, 69 and 70 are altogether different from the chartered banks?

Mr. ELDERKIN: Well, clause 69 is not really. A chartered bank may lend and make advances without security to the government of Canada or a province. Chartered banks can do any of the things that are mentioned in clauses 68, 69 and 70. These are permissive but, in effect, restrictive clauses in that they state the particular items. In the Bank Act they get the general powers to lend with or without security.

Mr. CAOINETTE: General powers.

Mr. ELDERKIN: Yes, with or without security.

In paragraph (g) of clause 70 there is an amendment which states that they may lend to an individual an amount which together with any other loan he may have does not exceed \$10,000.

There is a bit of interesting history on this. This started out a good many years ago with a limit of \$2,000. By an amendment to the act in 1961, I think, the maximum was raised to \$5,000, and they are now raising it to \$10,000 because we have found that this is a field in which the savings banks can do a very excellent service. Both of them do operate personal loan plans and this will permit them to go as high as \$10,000. But the aggregate amount of these loans that they may make must not exceed 15 per cent of the banks' deposit liabilities. Here you get one of the restrictions that comes in where, in effect, you are classifying or setting up ratios on the assets of the savings bank. This does not exist in chartered banks.

Mr. VALADE: Mr. Chairman, may I ask a question on this particular item. From your point of view, does this clause not impeach in some way the application of the \$25,000 loans to small enterprises by chartered banks or savings banks? This was the difficulty in applying this loan of \$25,000 to the small industries because in Quebec the banks' chattel mortgage could not apply and this clause will not allow a savings bank to fall into this category of legislation?

Mr. ELDERKIN: This paragraph (g), Mr. Valade, is only with respect of loans made without security, and this is quite different. We come later on to loans that are made with security on mortgages, and that type of thing. These are simply personal loans without security.

Mr. VALADE: Well, Mr. Chairman, this is a point on which I do not want to insist too much, but in some areas of small businesses securities are not considered to be of sufficient security, and in that line of thought would that not directly contradict the purpose of this legislation, loans of \$25,000 to small businesses?

Mr. ELDERKIN: With respect to the personal loan plans of the chartered banks I think none of them were over \$10,000, and this was actually the figure that was requested by the savings banks. They did not want to operate in the non-secured loan field in any individual loan of a greater amount.

Mr. VALADE: By their own choice, they did not want to fall under that particular legislation.

Mr. ELDERKIN: They did not want to have greater power to lend without security. Maybe I am not interpreting your question correctly. Are you referring to the Small Business Loans Act?

Mr. VALADE: That is right.

Mr. ELDERKIN: The Small Business Loans Act, I think, says "notwithstanding". I think that this comes under a particular classification and this act would not override it.

Mr. VALADE: Well, this is what I wanted to know.

Mr. ELDERKIN: All the government guaranteed loans, in effect, really operate notwithstanding other legislation as far as that particular type of loan is

concerned, notwithstanding what Mr. Ryan said on another point, but this was not on the amount of the loan.

Mr. VALADE: But, if this maximum total amount was raised to \$25,000 then this act would be applicable for loans to small enterprises.

Mr. ELDERKIN: Yes, but I think they can do it under the other act, anyway.

Mr. VALADE: Oh, they could under the other act?

Mr. ELDERKIN: If they are one of the qualified lenders under the other act, they can do it under the other act.

Clause 71 refers to loans made under the National Housing Act and goes on to state that the maximum rate of interest, or discount, prescribed under clause 79 does not apply to loans made under this clause. Actually, this has been in effect for a good many years. It is no different from the provisions with respect to conventional mortgages, which also have been in effect for some years, on which there is no interest rate limit.

In clause 72 there are two or three changes. This clause, as you can see, refers to what we term "conventional mortgages". The provisions have been changed quite considerably. In subclause (1) (b) the amount on which the loan may be based, with respect to the value of the property, has been raised to 75 per cent from 60 per cent. This, incidentally, is similar to amendments that have been made in the Trust and Loan Companies Act and similar to a provision which is in the Bank Act as well. All the acts have this particular clause in them now.

If you will read it carefully, you will notice that they can take a second mortgage provided that the total of the first and second mortgages does not exceed 75 per cent. This has been very beneficial in many cases where one of these banks has stepped in and taken the remainder of the mortgage to pay off part of the first, in effect. I should say that this is new, because it was formerly restricted to first mortgages only.

In subclause (5), again the maximum rate of interest does not apply. This amendment actually goes back to 1957, and it has been in there ever since.

There is nothing new under "Security," and I think I might move on to clause 79, "Interest and Charges." The permitted interest and charges here are the same as in the bank act, and if, as and when the maximum rate of loan interest specified in the Bank Act comes off, then it will automatically come off here at the same time. You will see a cross reference at the end of subclause (3), that this subsection expires when subsection (5) of Section 91 of the Bank Act expires. Likewise, this also applies to clause 80.

You will recall the Minister's speech on second reading of the bank bill, in which he stated that he would be bringing forward an amendment in the Bank Act to cover disclosure of cost of loans where the cost was not entirely covered by the interest charge. When that amendment is brought forward, which I hope to be able to present to the Committee before very long, an amendment will also be introduced in this bill as well. When I say that I hope to be able to bring it forward before very long, I mean the subject is under discussion with the provinces and with the joint committee on consumer credit, and I hope we can come to some decision on it before too long.

There is nothing in clause 81 that is new, except subclause (2) which is the same as in the Bank Act.

Mr. GRÉGOIRE: Mr. Elderkin, I have a question on clause 79.

Mr. ELDERKIN: Yes.

(Translation)

Mr. GRÉGOIRE: The interest charge by savings banks under clause 79 will be exactly the same, then, as the interest rate charged by the chartered banks. It cannot be more than the interest rate charged by the chartered banks.

(English)

Mr. ELDERKIN: Well, the maximum interest rate that they may charge is the same.

Mr. GRÉGOIRE: The same maximum as the chartered banks?

Mr. ELDERKIN: The same as the chartered banks, and when the formula in the bank bill, which will raise the interest rate in the first part of next year, comes into effect it will automatically raise the maximum interest rate here, too.

Mr. CAOINETTE: Will they be able to pay more interest on the savings that are put in their accounts?

Mr. ELDERKIN: Did you say, "Will they be able to"?

Mr. CAOINETTE: Yes.

Mr. ELDERKIN: They can if they wish.

Mr. CAOINETTE: They can if they wish?

Mr. ELDERKIN: Oh, yes. There is no limit on it.

Mr. CAOINETTE: But they cannot ask any more interest on loans than the chartered banks?

Mr. ELDERKIN: That is right.

Mr. CAOINETTE: But they can ask less, if they wish?

Mr. ELDERKIN: Yes.

Mr. GRÉGOIRE: When the provision of section 91 of the Bank Act ceases to apply—when there is no longer any ceiling,—will the savings banks be obliged to maintain the same interest level?

Mr. ELDERKIN: You see, the concluding sentence in subclause (3) of clause 79 says, "this subsection expires when subsection (5) of section 91 of the Bank Act expires". In other words, they come under the same maximum rate of interest on loans now and they will, also, in the future.

Mr. CAOINETTE: I have a question on clause 81.

(Translation)

Mr. Chairman, clause 81 states: "(1) The bank shall not make a charge for cashing a cheque or other instrument drawn, etc." Does the same rule apply in respect of any chartered bank that would have these cheques cashed by a savings bank? Is the chartered bank prohibited from asking for any charge for cashing that type of cheque? Does it apply on both sides?

(English)

Mr. ELDERKIN: The clause is identical with the Bank Act.

Clause 82 refers to unclaimed balances. There is one change here, a small difference in wording to clarify that bank dividend cheques are not included. The wording is a little ambiguous at present and this, again, is exactly the same as in the Bank Act.

The following clauses are identical with the Bank Act, and when you get to clause 86 you will recall this is also identical with the Bank Act, and so is the amendment which you have, which has been tabled. This has been reworded and the limitation of \$2,000, which appears in the present section, no longer seems applicable. The revised provision should facilitate dealing with credit balances of deceased depositors in an easier way and the change in language is designed to make the section more applicable with respect to intestate possessions in the Province of Quebec. As I mentioned, when we were doing the Bank Act, we had the benefit of counsel from the Province of Quebec when we were redrafting this in order that it would be more applicable there and easier to administer.

There are no changes in clauses 89 or 90 but you might be interested in just a bit of history. I mentioned earlier that at the time of Confederation these two institutions were at that time thrift co-operatives. They took out charters and became joint stock banks but they had in the surplus account at that time, in the case of Montreal City and District, \$180,000, and in the case of La Banque d'Économie de Québec, the Quebec Savings Bank, an amount of \$83,000 which, by the legislation which was brought in then and still exists, was placed in a trust and all of the income from these particular trusts is distributed to charity annually. In other words there was no benefit to new shareholders from the surplus at that time.

Again, the clauses as we go through them, are the same regarding returns. You remember I mentioned, in discussing the bank bill, that in the return of unclaimed balances we are proposing the banks will not be required to report amounts of less than \$10, although they will be required to notify the depositor, if they can find him, at the end of three years and again at the end of five years if the account remains dormant. These accounts will have to be transferred to the Bank of Canada if they are still dormant at the end of 10 years. But, we wished to eliminate more than 50 per cent of their returns reported at the present time. If you have seen in an edition of the *Canada Gazette* unclaimed balances, you will know that there are many, many thousands, the cost of printing alone on this runs into well over \$15,000, and we find out it is really of no value.

There is nothing new or changed in the clauses following that Clause 97 has some new additions but the requirements are consequential to ownership of shares and are similar to the Bank Act.

Clause 99 is the same as the Bank Act. This gives the Bank of Canada the power to obtain information from these banks in such form as is required but the banks shall not be required to furnish information with respect to the accounts or affairs of any particular person.

There is a small editorial change in clause 100, which is only for clarification, otherwise it is exactly the same. We had to change the schedule number because a new schedule is being introduced and the other schedule is being moved.

I do not think there is anything I should mention in the insolvency clauses. These are the ones we never have to do very much about. Then we come to clause 103 and this change is, again, identical to an amendment that was put forward in the Bank Act. Paragraphs (g) and (h) of section 103, in drafting some time back, became paragraphs when they should have been subsections. In the amendment which has been tabled in the Bank Act in a similar section, namely, 122, these are re-titled as subsections with some small change in wording for clarification.

I have nothing on liquidations or winding up. All of this is identical with the Bank Act. There is nothing new in offences except the one provision in clause 114 which picks up the transfers which would be illegal under the ownership clauses. There is nothing on the other offences. All of the following sections having to do with insolvency and bankruptcy are identical with the Bank Act and it is our hope they never have to be used.

I think we follow through then, actually, until the very last clause, 131. This clause is identical to the bank bill at the present time but we tabled an amendment on that and we have a similar amendment to be tabled on this one, namely, that it would come into force at the same time as the Bank Act comes into force.

In schedule A there have been a few changes, mostly editorial. I will give them to you because they are not very long. Item 6 in the assets now reads: "Securities issued or guaranteed by a province of Canada". The "of Canada" is dropped as being unnecessary. Down below in 10, 11 and 12 instead of "provision for estimated loss" we have changed it to "provision for losses". This is identical with terminology in the Bank Act. On item 14 now reads "less accumulated depreciation", we have changed back to the present terminology "less amounts written off" because, here again, we came upon some write-offs years ago of land and depreciation really was not an appropriate term.

Schedule B has been completely rewritten in the proposed amendments but I would point out that it is identical to a similar schedule in the Bank Act. These have been brought in to provide for full disclosure of revenue and expenses and so-called inner reserves. There will be a new schedule added, schedule C, which is also identical with the similar schedule in the Bank Act. That, Mr. Chairman, finishes it.

The ACTING CHAIRMAN: You have heard the explanations on the proposed amendments and any relevant portions of the act. Are there any further questions from members attending this committee? If not, I will thank you, Mr. Elderkin, on behalf of the members of the committee.

(Translation)

Mr. GRÉGOIRE: This is a question about something else. Are there representatives of chartered banks who have indicated their intention of preparing briefs and presenting them to the committee?

(English)

Mr. ELDERKIN: Chartered Banks?

Mr. GRÉGOIRE: Savings Banks.

Mr. ELDERKIN: No, not yet.

(Translation)

The ACTING CHAIRMAN: No, not yet.

Mr. GRÉGOIRE: Is there an association of savings banks such as an association of chartered banks?

(English)

Mr. ELDERKIN: No. There are, Mr. Grégoire, only the two of them and they do discuss matters together. I suppose you could call that an association but it is not an official one.

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, then nobody has appeared before us to represent these savings banks.

The ACTING CHAIRMAN: Up to now, they have indicated no such intention, that is they have not indicated their intention of presenting a brief.

Mr. CAQUETTE: Therefore, the directors of the savings banks appear satisfied.

The ACTING CHAIRMAN: If silence means consent, then the answer should be yes.

Mr. GRÉGOIRE: May I suggest that you indicate to the committee representing the directors of the chartered banks that an invitation should be sent to at least one of the directors of the savings banks?

The ACTING CHAIRMAN: We will take that into consideration. It could be put to the steering committee. However, it could be said that these gentlemen can read, can they not? A request has been made twice in financial journals in this connection. They probably know that we were expecting this.

Mr. CAQUETTE: They might not read financial papers.

(English)

Mr. ELDERKIN: Mr. Chairman, I might say I have discussed all these amendments with the savings banks and the proposed new bill with the savings banks, and I have received information that they are quite satisfied with it.

The ACTING CHAIRMAN: Well, Mr. Elderkin, thank you very much, on behalf of those members present. The committee will reconvene on Tuesday morning at 11 o'clock to hear a brief put forward by the Canadian Bankers' Association. The meetings will continue throughout that day until the questioning is finished, and we will carry on to the following Thursday but subject to any further direction by the steering committee. This meeting is adjourned.

APPENDIX "F"

INTEREST RATES IN VARIOUS COUNTRIES

CENTRAL BANK DISCOUNT RATES

(End of period quotation in per cent per annum)

	1961	1963	1964	1965	1966	
	Sept.	Sept.	Sept.	Sept.	Sept.	Oct.
Canada	2.84	4.0	4.0	4.25	5.25	5.25
United States	3.0	3.5	3.5	4.0	4.5	4.5
Britain	7.0	4.0	5.0	6.0	7.0	7.0
Belgium	4.75	4.00	4.75	4.75	5.25	5.25
France	3.5	3.5	4.0	3.5	3.5	3.5
Germany	3.0	3.0	3.0	4.0	5.0	5.0
Netherlands	3.5	3.5	4.5	4.5	5.0	5.0
Switzerland	2.0	2.0	2.5	2.5	3.5	3.5

Source: International Financial Statistics.

MONEY MARKET RATES

(in per cent per annum)

	1961	1963	1964	1965	1966		
	Sept.	Sept.	Sept.	Sept.	Aug.	Sept.	Oct.
Canada ⁽¹⁾	2.42	3.69	3.79	4.11	5.07	5.03	5.13
United States ⁽¹⁾	2.30	3.38	3.53	3.91	4.93	5.36	5.39
Britain ⁽¹⁾	6.60	3.69	4.65	5.51	6.70		
Belgium ⁽²⁾	2.75	2.55	3.86	2.77	3.95		
France ⁽²⁾	3.57	3.13	4.74	3.86	4.79*		
Germany ⁽²⁾	2.84	2.99	3.64	4.77	5.36		
Netherlands ⁽¹⁾	1.00	1.89	3.70	4.00	4.90		
Switzerland ⁽²⁾	1.00	1.95	2.25	2.75	2.72		

⁽¹⁾ Average yield on 3-month Treasury Bills.⁽²⁾ Average yield on money market call loans.

* Latest available July 1966.

Source: International Financial Statistics.

CENTRAL GOVERNMENT BOND YIELDS

(Average yield to maturity on issues due in 12 years or more in per cent per annum)

	1961	1963	1964	1965	1966		
	Sept.	Sept.	Sept.	Sept.	Aug.	Sept.	Oct.
Canada	4.98	5.21	5.23	5.33	5.89	5.79	5.73
United States	4.02	4.04	4.16	4.25	4.80	4.76	4.69
Britain	6.48	5.38	6.04	6.24	7.17		
Belgium	4.35	5.02	5.65	5.57	5.81		
France	5.05	4.81	5.10	5.29	5.41*		
Germany ⁽¹⁾	6.0	6.1	6.4	7.4	8.6 *		
Netherlands	3.95	4.15	4.98	5.17	6.53		
Switzerland	3.00	3.30	4.05	3.93	3.22		

⁽¹⁾ Covers bonds of all public authorities, including some with maturities of less than 12 years, in 1961. From 1963 on covers local authorities issues only.

* Latest available July 1966.

Source: International Financial Statistics.

APPENDIX "G"

ASSETS OF SELECTED FINANCIAL INSTITUTIONS
CHARTERED BANKS: CANADIAN ASSETS*

	Dec. 31, 1964	Dec. 31, 1965	Increase	
	\$mm.	\$mm.	\$mm.	Per Cent
Cash	1,237	1,417	180	14.6
Gov't of Canada securities and Other Liquid Assets	4,089	4,076	-13	-0.3
Loans in Canadian currency:				
To provinces	30	59	29	96.7
To municipalities	363	521	158	43.5
To grain dealers	148	246	98	66.2
To finance the purchase of Canada Savings Bonds	198	200	2	1.0
To instalment finance companies	299	527	228	76.3
To businesses	4,929	5,627	698	14.2
To persons	2,323	2,801	478	20.6
To farmers	708	804	96	13.6
To institutions	262	285	23	8.8
Insured N.H.A. mortgages	851	815	-36	-4.2
Other Canadian securities:				
Provincial	372	338	-34	-9.1
Municipal	307	331	24	7.8
Corporate	487	521	34	7.0
Other assets	431	452	21	4.9
Total Assets	17,037	19,021	1,984	11.7

*Includes net foreign assets.

Source: Department of Finance, Bank of Canada.

QUEBEC SAVINGS BANKS

	Dec. 31, 1964	Dec. 31, 1965	Increase	
	\$mm.	\$mm.	\$mm.	Per Cent
Cash	29	28	-1	-3.4
Gov't. of Canada securities	31	21	-10	-32.3
Provincial securities	78	67	-11	-14.1
Municipal securities	33	30	-3	-9.1
Other Canadian securities	26	30	4	15.4
N.H.A. mortgages	9	8	-1	-11.1
Other mortgages	140	195	55	39.3
Secured loans		11	3	-21.4
Unsecured loans	15	16	1	6.7
Other assets	29	24	-5	-
Total Assets	403	430	27	6.7

Source: Department of Finance, Bank of Canada.

TRUST COMPANIES

	Dec. 31/64	Dec. 31/65	Increase	
	\$mm.	\$mm.	\$mm.	Per Cent
Cash	86	98	12	14.0
Gov't. of Canada securities	385	388	3	0.8
Short-term notes of finance and other companies	153	176	23	15.0
Provincial securities	168	193	25	14.9
Municipal securities	139	125	-14	-10.1
Corporation and Institutional securities	218	242	24	11.0
Collateral loans	110	118	8	7.3
Canadian preferred and common shares	67	74	7	10.4
Foreign securities	6	5	-1	-16.7
Mortgage loans and sales agreements	1,449	1,912	463	32.0
Other assets	80	91	+11	13.6
Total Assets	2,860	3,422	562	19.7

Source: Dominion Bureau of Statistics, "Business Financial Statistics".

MORTGAGE LOAN COMPANIES

	Dec. 31/64	Dec. 31/65	Increase	
	\$mm.	\$mm.	\$mm.	Per Cent
Cash	63	54	-9	-14.3
Gov't. of Canada securities	120	116	-4	-3.3
Short-term notes of finance and other companies	8	3	-5	-62.5
Provincial securities	42	39	-3	-7.1
Municipal securities	11	10	-1	-9.1
Corporation and Institutional securities	26	33	7	26.9
Collateral loans	13	19	6	46.2
Canadian preferred and common shares	56	56	—	—
Foreign securities	4	4	—	—
Mortgage loans and sales agreements	1,492	1,817	325	21.8
Other assets	102	266	164	160.8
Total Assets	1,936	2,417	481	24.8

Source: Dominion Bureau of Statistics, "Business Financial Statistics".

CREDIT UNIONS AND CAISSES POPULAIRES

	Dec. 31 1964	Dec. 31 1965	Increase	
	\$mm.	\$mm.	\$mm.	Per Cent
Cash	251	283	32	12.7
Investments	429	486	57	13.3
Mortgages	622	695	73	11.7
Loans	836	987	151	18.1
Other assets	75	90	15	20.0
Total Assets	2,213	2,542	329	14.9

Source: Department of Agriculture.

PROVINCE OF ALBERTA TREASURY BRANCHES

	Mar. 31 1964	Mar. 31 1965	Increase	
	\$mm.	\$mm.	\$mm.	Per Cent
Cash	18	20	2	11.1
Investments in bonds	31	43	12	38.7
Loans to municipalities, schools and hospitals	6	6	—	—
Commercial and industrial loans ..	39	38	— 1	— 2.6
Personal loans	17	19	2	11.8
Other loans	1	1	—	—
	63	64	1	1.6
Less: Provision for estimated loss .	— 3	— 4	—	—
	60	60	—	—
Other assets	4	5	+ 1	25.0
Total Assets	114	129	15	13.2

Source: Province of Alberta Public Accounts.

PROVINCE OF ONTARIO SAVINGS OFFICE

	Mar. 31 1964	Mar. 31 1965	Increase	
	\$mm.	\$mm.	\$mm.	Per Cent
Cash	3	1	— 2	— 66.7
Funds advanced to the Treasurer of Ontario	78	80	2	2.6
Total Assets	81	81	—	—

Source: Province of Ontario Public Accounts.

APPENDIX "H"

Clause 88 (5)

That Bill C-222, An Act respecting Banks and Banking, be amended

- (a) by striking out lines 35 to 40 on page 69 thereof and substituting therefor the following:

"(5) Notwithstanding subsection (2) and notwithstanding that a notice of intention by a person giving security upon property under this section has been registered pursuant to this section, where, under the *Bankruptcy Act*, a receiving order is made against, or an assignment is made by, such person,"; and

- (b) by striking out paragraph (b) of subclause (5) of clause 88 thereof and substituting therefor the following:

"(b) claims of a grower of perishable products of agriculture that are direct products of the soil for money owing by a manufacturer to the grower for such products that were grown by him on land owned or leased by him and that were delivered to the manufacturer during the period of three months next preceding the making of such order or assignment, to the extent of five thousand dollars of the amount of the claims of the grower therefor, or the total amount of his claims therefor, if such amount is five thousand dollars or less,"

APPENDIX "I"*Proposed amendments to Bill C-223**Clause 27*

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 46 on page 9 thereof and substituting therefor the following:

"a date, not earlier than the thirtieth day after the day on"

Clause 29

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out lines 39 and 40 on page 10 thereof and substituting therefor the following:

"give his post office address and this shall appear in the stock books in connection with"

Clause 44(1)

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 35 on page 15 thereof and by substituting therefor the following:

"mission in accordance with the claim; but nothing in this subsection shall be construed to prevent the bank from refusing to record or give effect to a transmission until there has been delivered to the bank such documentary or other evidence of or in connection with the transmission as it may deem requisite."

Clause 45

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended

- (a) by striking out lines 11 and 12 at page 16 thereof and substituting therefor the following:

"right, but does not include an official or corporation performing a function or duty in"

- (b) by striking out lines 37 to 40, inclusive, at page 17 thereof and substituting therefor the following:

"bank;

- (f) both shareholders are agents of Her Majesty in right of Canada or officials or corporations performing on behalf of Her Majesty in such right a function or duty in connection with the administration, management or investment of any fund or moneys referred to in clause (B) of subparagraph (i) of paragraph (a) of subsection (1);

- (g) both shareholders are agents of Her Majesty in right of the same province or officials or corporations performing on behalf of Her Majesty in right of that province a function or duty in connection with the administration, management or investment of any fund or moneys referred to in clause (B) of subparagraph (i) of paragraph (a) of subsection (1); or

- (h) both shareholders are associated within the meaning of paragraphs (a) to (g) with the same shareholder.”
- and
- (c) by striking out line 33 on page 18 thereof and substituting therefor the following:
 “virtue of paragraph (h) of subsection (2) by”

Clause 46(2)

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 21 on page 19 thereof and substituting therefor the following:

“of a share of the capital stock of the bank to any person, including, without restricting the generality of the foregoing, an official or corporation mentioned in clause (B) of subparagraph (i) of paragraph (a) of subsection (1) of section 45,”

Clause 47(3)(c)

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 17 on page 22 thereof and substituting therefor the following:

“(c) an official or corporation administering, managing or investing”

Clause 49(7)(b)

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 27 on page 27 thereof and substituting therefor the following:

“(b) an official or corporation administering, managing or investing”

Clause 49(7)(b)

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 27 on page 27 thereof and substituting therefor the following:

“(b) an official or corporation administering, managing or investing”

Clause 53

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended

- (a) by renumbering subclauses (1), (2) and (3) of clause 53 thereof as subclauses (2), (3) and (4), respectively, and
- (b) by inserting the following as subclause (1) of clause 53 thereof:

“Financial year.

53. (1) The financial year of the bank shall end on the expiration of the 31st day of October in each year.”

- (c) by striking out the word “and” in line 48 on page 28 thereof;
- (d) by striking out line 8 on page 29 thereof and substituting therefor the following:

“earned in the financial year; and

- (c) a statement of accumulated appropriations for losses of the bank for the financial year, showing the information in the form specified in Schedule C and such additional information and particulars as in the opinion of the directors are necessary to present fairly the amount of appropriation available to meet losses other than those for which specific provisions have been made.”
- (e) by striking out line 17 on page 29 thereof and substituting therefor the following:
“Schedules A, B and C.”

Clause 55

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended

- (a) by striking out subclause (11) of clause 55 thereof and substituting therefor the following:
“(11) The auditors shall make a report to the shareholders on the statement of assets and liabilities, the statement of revenue, expenses and undivided profits and the statement of accumulated appropriations for losses of the bank to be submitted by the directors to the shareholders under section 53.”
- (b) by striking out lines 46 and 47 on page 30 thereof and substituting therefor the following:
“of the financial year, its revenue, expenses and undivided profits for the year and its accumulated appropriations for the year, and shall include such remarks as they”

Clause 86

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 35 on page 45 thereof and substituting therefor the following:

“the transmission in accordance with the claim; but nothing in this section shall be construed to prevent the bank from refusing to give effect to a transmission until there has been delivered to the bank such documentary or other evidence of or in connection with the transmission as it may deem requisite.”

Clause 100

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 36 on page 49 thereof and substituting therefor the following:

“declaration in the form set out in Schedule D, signed”

Clause 103

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out lines 3 to 14 on page 51 thereof and substituting therefor the following:

When winding-up proceedings taken. Failure to pay call.
“months.

(3) In the event of proceedings being taken under any Act for the winding-up of the bank in consequence of the insolvency of the bank, any calls on shareholders made thereafter shall be in accordance with such Act.

(4) Failure on the part of a shareholder to pay any call referred to in this section when due constitutes a forfeiture by the shareholder of all claim in or to any part of the assets of the bank, but the call and any further call thereafter is recoverable from him as if no forfeiture had taken place."

Clause 120

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out line 12 on page 55 thereof and substituting therefor the following:

"conviction to a fine not exceeding one hundred dollars; but this section expires when section 151 of the *Bank Act* expires."

Clause 131

That Bill C-223, an Act respecting Savings Banks in the Province of Quebec, be amended by striking out clause 131 thereof and substituting therefor the following:

Coming into force.

"131. (1) This Act, except sections 45 to 49 and section 127, shall come into force on the 1st day of December, 1966.

(2) Sections 45 to 49 and section 127 shall come into force on the 1st day of February, 1967."

SCHEDULE A

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended

(a) by striking out items 6, 10, 11, 12 and 14 on page 59 thereof and substituting therefor the following:

"6. Securities issued or guaranteed by a province, at amortized value

10. Other mortgages and hypothecs, less provision for losses

11. Loans otherwise secured, less provision for losses ..

12. Loans without security, less provision for losses

14. Bank premises at cost, less amounts written off." ..

and

(b) by striking out item 2 on page 60 thereof and substituting therefor the following:

"2. Deposits by a province, in Canadian currency ..."

SCHEDULE B

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended by striking out Schedule B thereof and substituting therefor the following:

“SCHEDULE B

(Section 53 (2)(b))

Statement of Revenue, Expenses and Undivided Profits of the Bank for the financial year ended October 31, 19.....	
Revenue	
Income from loans	\$
Income from securities	
Other operating revenue	_____
Total revenue	_____
Expenses	
Interest on deposits	
Salaries, pension contributions and other staff benefits	
Property expenses, including depreciation	
Other operating expenses, including provision for losses on loans based on five-year average loss experience	_____
Total expenses	_____
Balance of revenue	
Appropriation for losses	_____
Balance of profits before income taxes	
Provision for income taxes relating thereto	_____
Balance of profits for the year	
Dividends	_____
Amount carried forward	
Undivided profits at beginning of year	
Transfer from accumulated appropriations for losses	_____
Transferred to Rest account	
Undivided profits at end of year	\$=====

Note: Titles should be deleted where there are no amounts to be reported thereunder. Omit cents.”

SCHEDULE C

That Bill C-223, An Act respecting Savings Banks in the Province of Quebec, be amended
(a) by inserting immediately before Schedule C on page 62 thereof, the following:

“SCHEDULE C

(Section 53(2) (c))

Statement of Accumulated Appropriations for Losses
of the Bank
for the financial year ended October 31, 19.....

- 1. Accumulated appropriations at beginning of year
General..... Tax-paid..... Total \$
- 2. Appropriation from current year's operations
- 3. Loss experience on loans less provision included in other
operating expenses
- 4. Profits and losses on securities, including provisions to reduce
securities other than those of Canada and a province to values
not exceeding market
- 5. Other profits, losses and non-recurring items, net
- 6. Provision for income taxes
- 7. Transferred to undivided profits _____
- 8. Accumulated appropriations at end of year
General..... Tax-paid..... Total \$=====

*Note: Titles should be deleted where there are no amounts
to be reported thereunder. Omit cents.”*

and

(b) by striking out the words “SCHEDULE C” on page 62 thereof
and substituting therefor the following:

“SCHEDULE D

DECLARATION REQUIRED BY SECTION 100.”

BINDING SECT. MAY 24 1968

